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Transcript Exhibit(s)

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Docket #(s): W-02860A-13-0399

Arizona Corporation Commission

DOCKETED

SEP 26 2014

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Exhibit #: A1-A4, S1-S4, S6

ORIGINAL

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Attorneys for Naco Water Company, LLC

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BOB BURNS
SUSAN BITTER SMITH
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

DEC 11 2013

DOCKETED BY



APPLICATION OF NACO WATER
COMPANY, LLC FOR A PERMANENT
INCREASE TO ITS WATER RATES

DOCKET NO: W-02860A-13-0399

AMENDED RATE APPLICATION

Naco Water Company, L.L.C. ("Company" or "Applicant"), hereby files an
Amended Rate Application.

SUPPORTING DOCUMENTATION

Pursuant to A.A.R. Rule 14-2-103, the Company submits the following revised
documentation in support of the proposed increase in rates and charges:

- Direct Testimony of Matthew Rowell (*see* Exhibit 1);
- Water Use Data Sheets (*see* Exhibit 2); and
- Plant Descriptions (*see* Exhibit 3).

EXHIBIT

A-1

ADMITTED


1 **AMENDMENTS**

2 Below is a list of the schedules and pages that have been amended:

- 3
- 4 • B-2 Schedule;
 - 5 • F-1 Schedule;
 - 6 • H-3 Schedule (2 pages); and
 - 7 • Page 11 to Exhibit 3.
- 8

9 RESPECTFULLY SUBMITTED this 11th day of December, 2013.

10 **MOYES SELLERS & HENDRICKS LTD.**

11 
12 _____
13 Steve Wene

14

15

16 Original and 13 copies of the foregoing
17 filed this 11th day of December, 2013, with:

18 Docket Control
19 Arizona Corporation Commission
20 1200 West Washington
21 Phoenix, Arizona 85007

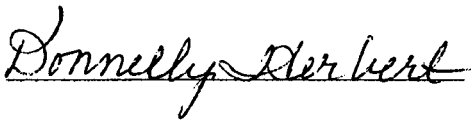
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EXHIBIT 1

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS

**APPLICATION OF NACO WATER
COMPANY, LLC FOR A PERMANENT
INCREASE TO ITS WATER RATES**

**DIRECT TESTIMONY OF
MATTHEW ROWELL**

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I. Introduction

Q. Please state your name.

A. My name is Matthew Rowell.

Q. By whom are you employed and what is your position?

A. I am a managing member of Desert Mountain Analytical Services ("DMAS"), a consulting firm specializing in utility regulatory matters. In that capacity I have provided testimony regarding various utility regulatory issues before the Arizona Corporation Commission ("Commission").

Q. Please describe your background and qualifications.

A. A statement of my qualifications is included as Attachment 1 to this testimony.

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to present my analysis and recommendations concerning the development of Naco Water Company, LLC's ("Naco" or "Company") revenue requirement and rate design. This includes discussion of rate base and rate base adjustments, operating income and operating income adjustments, rate of return, required operating income, cash flow considerations, and rate design considerations.

Q. Please summarize the Company's proposal.

A. The Company proposes a \$50,083 increase in revenues, which is a 19.6% increase over adjusted test year revenues. The rate increase is necessary in order to get the

1 Company's Debt Service Coverage Ratio ("DSCR") above the minimum requirement of
2 WIFA and to allow for an adequate amount of free cash flow to cover contingencies.

3 **Q. What is the basis for your recommendations?**

4 A. I analyzed the Company's records to determine the adjusted revenues and
5 expenses during the test year ending December 31, 2012. I also calculated a reasonable
6 revenue requirement in order to ensure the Company can generate sufficient revenue to
7 pay ongoing operating expenses, the debt service on its two WIFA loans, and ongoing
8 system improvements and upgrades which will enable the Company to continue to
9 provide adequate and reliable water service to its customers. Based upon my analysis, I
10 have prepared the Schedules in accordance with A.A.C. Rule 14-2-103 that are set forth
11 in Attachment 2, which I adopt as part of my testimony.

12 **Q. Why is Naco filing a rate case at this time?**

13 A. Naco's loan agreement with WIFA, approved by the Commission, requires Naco
14 to maintain a DSCR of 1.2. On October 30, 2012, WIFA notified Naco that its DSCR
15 had fallen to 0.91. Thus, the revenue increase is necessary.

16 Part of the reason for the DSCR decline is that Naco is not reaching the revenue
17 requirement established in its last rate case. In Decision 69393 (March 22, 2007), the
18 Commission established a revenue requirement of \$316,605. *Naco has never attained*
19 *this projected level of revenue.* As the Company expected, after the implementation of
20 tiered rates in the last rate case a significant number of customers reduced their usage and
21 this has made it impossible for Naco to meet its authorized revenue requirement.
22 Consequently, Naco has not earned its authorized return and it has very little cash flow
23 available for contingencies. Significantly, the revenue requirement requested here is *less*
24 than the \$316,605 authorized in Naco's last rate case.

25 ////

26 ////

1 **II. Rate Base**

2 **Q. Please discuss Naco's rate base.**

3 A. I calculate Naco's rate base to be \$1,508,251. This is based on test year gross
4 utility plant in service of \$2,222,903, accumulated depreciation of \$670,808, AIAC of
5 \$20,753, adjusted CIAC of \$40,133, and customer deposits of \$8,950. Schedule B-1
6 shows the development of test year rate base.

7 **Q. Please discuss the adjustment to CIAC.**

8 A. In 2007, Phelps Dodge Corporation, the predecessor of Freeport McMoRan
9 ("Freeport") entered into a consent order with the Arizona Department of Environmental
10 Quality to address the formation of a sulfate plume in the aquifer underlying the mine
11 tailings impoundment. Two of Naco's water supply wells approximately three miles
12 down gradient from the tailings showed elevated levels of sulfate concentrations.
13 Consequently, Freeport began working with the Company to mitigate the impact of the
14 sulfate plume on the Company. On June 20, 2011, Freeport agreed to pay the capital
15 costs of replacing a significant amount of Naco's plant and allow the Company to pump
16 water from a well that was not drawing from the sulfate plume. Naco began receiving
17 reimbursements for capitalized costs associated with the replacement during the test year.
18 These reimbursements were booked as CIAC. However, the test year capitalized costs
19 the CIAC was specifically meant to reimburse were booked as CWIP. Those costs will
20 remain in CWIP until the replaced plant is in service. CWIP is not included in rate base.
21 So, without an adjustment, the test year rate base will incorporate the Freeport CAIC but
22 not the plant that CIAC was specifically used to fund. Schedule B-2a shows the
23 development of the \$302,441 adjustment to test year CIAC that corrects this issue.

24 **III. Income Statement**

25 **Q. Please discuss the adjustments made to the test year income statement.**

26 A. The adjustments to the income statement are summarized on Schedule C-2. Each
27 individual adjustment is summarized here:
28

1 Adjustment a.1 adds \$13,223 to test year revenue to account for adjustments made
2 due to end of year balance sheet corrections and plant adjustments and retirements from
3 Naco's previous rate case. Adjustment a.2 removes \$387 from revenue because it is the
4 amount billed to Naco's office. *See* Schedule C-2a.

5 Adjustment b adjusts property tax expense by \$4,931 to align property taxes with
6 adjusted levels of revenues and expense. *See* Schedule C-2b.

7 Adjustment c removes \$306 from below the line interest expense and includes it
8 above the line under account 427.2 Interest Expense – Customer Deposits. *See* Schedule
9 C-2c.

10 Adjustment d adds \$9,230 to expenses for rate case expense. *See* Schedule C-2d.

11 Adjustment e adds \$4,610 for recovery of income taxes. *See* Schedule C-2e and
12 the discussion below.

13 Adjustment f adjusts depreciation expense to remove the half year convention on
14 test year plant additions. The amount of the adjustment is \$94. *See* Schedule C-2f.

15 Adjustment g is a below the line adjustment to net income. It removes expenses of
16 \$87,582 booked as "extraordinary deductions." This was a non-recurring adjustment
17 made to account for prior year accounting issues with the balance sheet and depreciation.
18 *See* Schedule C-2g.

19 **Q. Please discuss Adjustment e for income taxes.**

20 A. Naco is an LLC and thus does not incur income taxes directly. However, any
21 income Naco generates for its owner is subject to income tax and the Commission has
22 recently recognized that recovery of income tax expense is appropriate for LLCs. From
23 discussions with Staff, I understand that the method for calculating income taxes for
24 LLC's is the same as that for corporations except the effective tax rate used will be a
25 weighted average of the Company's owners' effective personal income tax rate. Naco
26 only has one owner (Salim S. Dominguez, Jr.) so there is no need to calculate a weighted
27 average. Naco's sole owner indicates that his filing status is "married filing jointly" and
28 that his effective combined federal and state effective income tax rate is 15.97%. That

1 rate is used to develop the test year income tax adjustment e and the increase in income
2 tax expense associated with the proposed revenue increase. See Schedules C-1, C-2, and
3 C-2e.

4 The February 8, 2013 Policy Statement on Tax Expense approved in Decision
5 73739 also requires that taxes be calculated assuming Naco is a "stand-alone Subchapter
6 C corporation." The Policy Statement provides that the allowed taxes will be the lower
7 of those calculated using the owner's effective tax rate and those calculated assuming the
8 Company is a C corporation. The calculation of income taxes based on the assumption
9 that Naco is a C corporation is shown on Schedule C-2e page 2. The tax bill calculated
10 under the C corporation assumption is more than double the amount calculated using the
11 owner's effective tax rate. So, the amount used for ratemaking purposes is the amount
12 based on the owner's effective tax rate.

13 **IV. Revenue Requirement**

14 **Q. What is the revenue requirement you are recommending for Naco?**

15 **A.** I am recommending a revenue requirement of \$305,172. This is a \$50,083
16 increase over adjusted test year revenues of \$255,089. This is an increase of 20% over
17 adjusted test year revenues.

18 **Q. Please discuss how you developed the proposed revenue requirement for**
19 **Naco.**

20 **A.** I developed the proposed revenue requirement based on cash flow considerations.
21 Naco's cash flow needs to be sufficient to allow for WIFA's minimum required DSCR of
22 1.2. To avoid the current situation where Naco has been unable to maintain a 1.2 DSCR,
23 additional cash flow support is necessary. Accordingly, I based the revenue requirement
24 on a free cash flow target. \$50,000 in free cash flow is an appropriate free cash flow
25 target for a company of Naco's size. This amount will allow for contingencies and
26 ensure that WIFA's minimum DSCR can be maintained over time. The revenue
27 requirement I am proposing allows for \$49,528 in free cash flow (assuming usage does
28 not continue to decline).

1 **Q. Please discuss the capital structure, cost of debt and cost of equity for Naco.**

2 **A. Naco's actual capital structure is 72% debt and 28% equity. Naco's actual cost of**
3 **debt is 0.13% which is the weighted average of the interest rates on its two WIFA loans:**
4 **0% and 0.734%. Naco is not proposing any changes to its actual capital structure or cost**
5 **of debt.**

6 Taking the capital structure and cost of debt as a given, and using a free cash flow target
7 to develop the revenue requirement, the cost of equity becomes a fall out number. A cost
8 of equity of 15.8% is necessary to produce adequate free cash flow given the capital
9 structure and cost of debt.

10 **Q. So you did not perform a formal cost of capital analysis.**

11 **A. Correct. As stated above, with a cash flow target and with a capital structure and**
12 **cost of debt taken as a given, the cost of equity becomes a fall out number. Additionally,**
13 **requiring a company of Naco's small size to perform a formal cost of equity analysis is**
14 **an unreasonable burden and would needlessly complicate and add expense to the rate**
15 **case process. A return on equity in the 9-10% range that the Staff and Commission have**
16 **recommended and approved recently would produce a DSCR that is just barely enough to**
17 **satisfy WIFA's requirements. Given the historical decline in usage and revenue, basing**
18 **rates on a cost of equity in that range would likely result in another violation of WIFA's**
19 **requirements DSCR requirements in the near future. It would certainly result in a**
20 **violation of WIFA's requirements if any contingency occurred.**

21 **V. Rate Design**

22 **Q. Please discuss the issues with the rate design approved for Naco in the**
23 **previous rate case.**

24 **A. Prior to Naco's last rate case Naco had a two tier rate structure with the tier break**
25 **at 10,000 gallons for all meter sizes. In Decision 69393 the Commission established a**
26 **three tiered rate structure with tier breaks at 3,000 and 9,000 for customers on 5/8 by 3/4**
27 **inch and 3/4 inch meters and a two tier rate structure with progressively higher tier breaks**

28

for the larger meter sizes. This rate structure put a large amount of the revenue recovery onto the higher tiers.

The three tiered rate structure had its intended effect and Naco's customers have conserved water. Comparing the bill count from the last rate case to the test year bill count reveals a significant decline in usage in the higher tiers. Looking at 5/8 by 3/4 inch and 3/4 inch meters alone, the bill count from the 2006 rate case reveal that there were 838 bills above 9,000 gallons during that case's test year. During the current 2012 test year there were only 428 bills above 9,000 gallons. So the number of bills in the top tier decreased by 49% since the new rates was implemented.¹

5/8 by 3/4 inch and 3/4 inch meters		
	2006 Application	2013 Application
Bills above 9,000 gallons	838	428

Since the rate design established in the last rate case explicitly assumed that consumption would not change, the dramatic decline in usage verified by the bill counts necessarily resulted in the Company being unable to achieve its authorized revenue requirement.

Q. Please describe the rate design you are proposing.

A. The Company proposes the following rate structure:

Monthly Usage Charge	
Meter Size	Rate
5/8" by 3/4"	36.81
3/4"	36.81
1"	71.54
1.5"	94.43
2"	110.11
3"	206.03
4"	326.21
6"	686.75

Commodity Rates		
5/8 by 3/4" and 3/4" meters		
Tier	Gallon Range	Rate
1	1 to 3,000	\$5.72
2	3,001 to 9,000	\$8.59
3	9,001 and above	\$10.32
1" and larger meters		
Tier	Gallon Range	Rate
1	1 to 30,000	\$8.59
2	30,001 and above	\$10.32

¹ A similar decline is seen with the larger meter sizes but the total numbers are much smaller. For 1" and larger meters there were 34 bills in the top tier in the 2006 bill count and there are 25 bills in the top tier in the 2012 bill count. Note that the gallon break for the top tier is different for each of these meter sizes.

1 **Q. How does this proposed rate structure compare to Naco's current rate**
2 **structure?**

3 A. The proposed rate structure is very similar to Naco's current rate structure. The
4 "meter multiples" that relate the monthly usage charges for the larger meter sizes to the
5 5/8 by 3/4" meter monthly usage charge have not been changed. Similarly, the ratios of
6 the second and third tier commodity rates to the first tier commodity rate are the same as
7 in the current rate structure. This means that the monthly minimums for each meter size
8 increase by the same percentage (14.5%) and the commodity rates at each tier increase by
9 the same amount (25.9%).

10 **Q. Why did you keep the current "meter multiples" for the monthly usage**
11 **charge?**

12 A. The current meter multiples are substantially less than the standard meter
13 multiples that are usually used. Applying the standard meter multiples would increase
14 the bills for customers on the larger meter sizes substantially. However, since there are
15 very few customers on the larger meter sizes the extra revenue generated by higher
16 monthly minimums for larger meter sizes is not significant enough to allow for a
17 meaningful mitigation of the increase on the 5/8 by 3/4" meter monthly minimum. So
18 shifting to the standard monthly minimum meter multiples would unnecessarily burden
19 the customers on the larger meters without providing a significant benefit to the rest of
20 the customers. Also, usage by the customers on the larger meters is relatively low so the
21 traditional justification for higher monthly minimum charges (high use customers put
22 more of a capacity burden on the system) does not apply.

23 **Q. Why did you apply an equal percentage increase to each commodity rate tier?**

24 A. As discussed above, conservation has been a significant issue for Naco. Putting a
25 higher percentage increase on the higher tiers will likely cause more conservation and
26 will exacerbate the negative revenue impact of any future conservation.

27 **Q. What percentage of revenue is generated by the monthly minimum charges**
28 **under current and proposed rates?**

1 A. Under current rates the monthly minimum charges generate 53% of Naco's
2 revenue. Under proposed rates the monthly minimum charges generate 50% of Naco's
3 revenue.

4 Q. How is the proposed rate structure different than the current rate structure?

5 A. The current rate structure has different tier breaks for each meter size that is 1" or
6 larger. The proposed rate structure uses a tier break at 30,000 gallons for all meter sizes
7 that are 1" or larger. Using a single tier break for the larger meter sizes greatly simplifies
8 the rate structure which will simplify the billing process. Additionally, only 20 (or 11%)
9 of the bills on the larger meter sizes fall above 30,000 gallons. Of those 20 bills only one
10 bill (on a 2" meter) will move from the first to second tiers. So the impact on customers
11 of adopting uniform tier breaks for the larger meters is minimal.

12 Q. Please discuss conservation and how it relates to rate design.

13 A. As discussed above, tiered rates have led to substantial conservation on the part of
14 Naco's customers which has prevented Naco from achieving its previously authorized
15 revenue requirement. In light of the decline in usage and failure to meet revenue
16 requirements a radical departure from the current rate structure could be justified. For
17 instance the adoption of a "declining usage adjustment" like the one recently approved
18 for Arizona Water's Northern Group would be justified. Alternatively, the abandonment
19 of tiered rates and adoption of a flat rate structure is also justified. Instead of pursuing
20 these radical but totally justifiable changes to the rate structure, Naco has proposed
21 simply to keep the status quo rate structure. Keeping the percentage of revenue generated
22 by the monthly minimum charge at 50% and applying an equal percentage increase to
23 each of the commodity rate tiers does not improve the situation but it also does not make
24 it worse. Adopting a rate structure that derives a lower percentage of revenue from the
25 monthly minimum charge or that assigns a greater percentage increase to the higher tiers
26 commodity rate than to the lower tiers (approaches Staff has employed in the past) would
27 be highly counterproductive and would demonstrate a complete disregard for the facts of
28 this case.

1 **VI. Other Issues**

2 **Q. Does the Company have any additional requests?**

3 A. Naco requests that new rates be effective at the beginning of the first billing cycle
4 following approval by the Commission rather than on a specific date. When rates
5 become effective during a billing cycle bills must be pro-rated which causes significant
6 administrative expenses that can be avoided.

7 **Q. Is this the end of your testimony?**

8 A. Yes.

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ATTACHMENT 1

Matthew Rowell

PO Box 51628
Phoenix, AZ 85076
480 961 5484 or 602 762 0100
mattrowell@cox.net

Professional History

- **Desert Mountain Analytical Services, PLLC (DMAS) 2007 – Present**
Managing Member

DMAS is a small consulting firm specializing in utility finance, ratemaking and other regulatory issues. DMAS' clients range in size from large multinational corporations to small rural utilities.

- **Arizona Corporation Commission 1996 to 2007**

Chief Economist (July 2001 to February 2007)

Analyzed and produced testimony or staff reports on a wide variety of utility issues. Supervised a staff of nine professionals with similar responsibilities.

Economist (October 1996 to July 2001)

Analyzed and produced testimony or staff reports on a wide variety of utility issues.

Education

- **Master of Science and ABD Economics, 1995, Arizona State University.**
Successfully completed all course work and exams necessary for a Ph.D. Course work included an emphasis in industrial organization and extensive experience with statistical analysis, public sector economics, and financial economics.
- **Bachelor of Science Economics, 1992, Florida State University.**
Minors: Philosophy, Statistics.

Certifications

Certified Rate of Return Analyst designation awarded by the Society of Utility and Regulatory Financial Analysts based on experience and successful completion of a written examination.

List of Specific Projects

Global Water Resources

Provided expert testimony regarding Global's cost of capital and rate consolidation. Created the bill-count data necessary for rate design. Consulted on the totality of schedules and testimony, Docket No. SW-20445A-12-0309.

Provided expert testimony regarding Global's financial viability and regulatory status before an arbitration panel. American Arbitration Association Case Nos. 76 198 Y 0104 11JMLE and 76 198 Y 0105 11 JMLE.

Provided strategic advice and analysis to Global re the ACC's ongoing water workshops.

Rate case testimony: Cost of Capital, Rate Consolidation, treatment of Infrastructure Coordination and Finance Agreements, Docket No. W-20446A-09-0080.

Prepared and sponsored testimony on Global's Notice of Intent to Restructure, Docket No. W-20446A-08-0247.

Provided strategic guidance regarding the Arizona Water complaint against Global, Docket No. W-01445A-06-0200.

Naco Water Company

In process of preparing all schedules and testimony necessary for a rate case application.

East Slope Water Company

Provided a valuation of East Slope Water Company for estate purposes.

Arizona Coalition for Water Energy and Jobs

Engaged to provide an expert report on the EPA's Best Available Retrofit Technology proposal for the Navajo Generation Station.

Cordes Lakes Water Company

Provided expert testimony regarding all aspects of Cordes Lake's rate case. Participated in the successful negotiation of a settlement with ACC Staff. Docket No. W-02060A-12-0356

Ray Water Company, Inc.

Provided expert testimony regarding Ray Water Company's cost of capital, Docket No. W-01380A-12-0254.

EPCOR Utilities, Inc.

Provided strategic advice on the Arizona regulatory environment as it relates to EPCOR's purchase of Arizona utilities.

Rio Rico Properties

Testimony in the Rio Rico Utilities rate case, Docket No. WS-02676A-09-0257.

Residential Utility Consumer Office

Testimony re affiliate relations in the Litchfield Park Service Company Rate Case, Docket No. SW-01428A-09-0103.

Other

Assisted with financial analysis, rate design and other rate case testimony and schedules for East Slope, Antelope Run, Indiada, Southland, Valle Verde and other small water companies.

ACC Staff

APS Rate Case E-01345A-05-0816: Provided testimony on staff's position on APS' proposed Environmental Improvement Charge. Also acted as the overall case manager and was responsible for coordinating all of staff's testimony.

APS Application to acquire a power plant in the Yuma area E-01345A-06-0464: Provided testimony detailing Staff's position on the application.

Southern California Edison's application to build a high voltage power line linking Arizona to Southern California L-00000A-06-0295-00130: Provided testimony detailing the potential economic effects of SCE's proposed power line.

Managed Staff's case (including negotiating a settlement agreement) in APS' 2003 rate case.

Negotiated (along with other Staff members) the settlement between staff and Qwest regarding three enforcement dockets.

Supervised the "independent monitor" of APS' and Tucson Electric Power's wholesale power procurement.

Staff's lead witness in the Commission's reevaluation of the electric competition rules which resulted in the suspension of APS' and TEP's obligation to divest their generation assets (E-00000A-02-0051.)

Acted as Chairman of the Commission's Water Task Force.

Accipiter's complaint against Cox Communications regarding the Vistancia development T-03471A-05-0064: Provided testimony regarding Accipiter's allegations concerning Cox's dealings with the developers of Vistancia.

Provided testimony on Qwest's noncompliance with the Commission's wholesale rate order.

Managed Staff's case regarding Qwest's alleged noncompliance with the Federal Telecommunications Act.

Supervised the testing of Qwest's operational support systems (OSS) and the development of Qwest's Performance Assurance Plan as part of Qwest's compliance with Section 271 of the Federal Telecommunications Act.

Provided testimony on the geographic de-averaging of Qwest's Unbundled Network Element prices.

ATTACHMENT 2

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule A-1
Title: Computation of Increase in Gross
Revenue Requirements

Explanation:
Schedule showing computation of increase in
gross revenue requirements and spread of revenue
increase by customer classification.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Special Reqmt ☐

Line	Original Cost	RCND
1 Adjusted Rate Base	\$ 1,508,251 (a)	(a)
2 Adjusted Operating Income	\$ 25,965 (b)	(b)
3 Current Rate of Return	1.72%	
4 Required Operating Income	\$ 67,363	
5 Required Rate of Return	4.47%	
6 Operating Income Deficiency (4 - 2)	\$ 41,398	
7 Gross Revenue Conversion Factor	1.210 (c)	(c)
8 Increase in Gross Revenue Requirements (6 x 7)	<u>\$ 50,083</u>	
9 <i>Cash Flow at Proposed Rates</i>		
10 Operating Income	\$ 67,363	
11 Depreciation Expense	<u>\$ 54,654</u>	
12 Estimated Operating Cash (Line 10 + 11)	\$ 122,017	
13 Total Debt Service	<u>\$ (72,489)</u>	
14 Estimated Conditional Cash Flow (Line 12 + 13)	\$ 49,528	
15 Proposed Revenue	<u>\$ 305,172</u>	
16 Conditional Cash Flow as Percent of Revenue (Line 14/Line 15)	16%	
17 <i>Operating Margin at Proposed Rates</i>		
18 Operating Income	\$ 67,363	
19 Proposed Revenue	<u>\$ 305,172</u>	
20 Operating Margin (Line 18/Line 19)	22%	
21 <i>DSCR Calculation</i>		
22 Proposed Operating Income plus Depreciation Expense	\$ 122,017	
23 Annual Debt Service	<u>\$ (72,489)</u>	
24 Debt Service Coverage Ratio (Line 22/Line 23)	1.68	

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Projected Revenue Increase Due to Rates	% Dollar Increase
25 Residential	\$ 209,453	\$ 251,542	\$ 42,089	20.09%
26 Commercial	38,703	46,725	8,022	20.73%
27 Hydrant	-	-	-	0.00%
28 Other	6,924	6,924	-	0.00%
29 Total	<u>\$ 255,089</u>	<u>\$ 305,172</u>	<u>\$ 50,081</u>	<u>19.63%</u>

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule A-2
Title: Summary Results of Operations

Required for: All Utilities

☒

Explanation:

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Class A

☐

Class B

☐

Class C

☐

Class D

☐

Specd Reqmt

☐

Line	Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
		Year End	Year End	Actual	Adjusted	Present	Proposed
		31-Dec-10	31-Dec-11	Rates	Rates	Rates	Rates
		(a)	(a)	(a)	(b)	(c)	(c)
1	Gross Revenues	\$ 266,429	\$ 259,807	\$ 242,251	\$ 255,089	\$ 255,089	\$ 305,172
2	Revenue Deductions & Operating Expenses	(202,998)	(218,113)	(209,953)	(229,124)	(229,124)	(237,809)
3	Operating Income	\$ 63,431	\$ 41,694	\$ 32,298	\$ 25,965	\$ 25,965	\$ 67,363
4	Other Income and Deductions	(30,417)	(30,352)	6	6	6	6
5	Interest Expense	(33,385)	(31,270)	(2,023)	(1,717)	(1,717)	(1,717)
6	Net Income	\$ (371)	\$ (19,928)	\$ 30,281	\$ 24,254	\$ 24,254	\$ 65,652
7	Earned Per Average Common Share*	NA†	NA†	NA†	NA†		
8	Dividends Per Common Share*	NA†	NA†	NA†	NA†		
9	Payout Ratio*	NA†	NA†	NA†	NA†		
10	Return on Average Invested Capital	-0.02%	-1.12%	1.80%	1.44%	1.44%	3.90%
11	Return on Year End Capital	-0.02%	-1.18%	1.81%	1.45%	1.45%	3.93%
12	Return on Average Common Equity	-0.08%	-4.43%	6.95%	5.57%	5.57%	15.07%
13	Return on Year End Common Equity	-0.08%	-4.88%	6.55%	5.24%	5.24%	14.19%
14	Times Bond Interest Earned - Before Inc Tax	(0.14)	(0.60)	14.97	14.13	14.13	38.24
15	Times Total Interest and Preferred Dividends						
16	Earned - After Income Taxes	(0.01)	(0.64)	14.97	14.13	14.13	38.24

Supporting Schedules:

(a) E-2

(b) C-1

(c) F-1

*Optional for projected year

†Naco is an LLC and does not have "shares."

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule A-4
Title: Construction Expenditures and
Gross Utility Plant in Service

Explanation:
 Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specl Reqmt ☐

Line	Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1	Prior Year 1 - 2010	\$ 3,607	(31,976)	\$ 1,555,023
2	Prior Year 2 - 2011	667,353	619,564	2,222,376
3	Test Year - 2012	527	(54,033)	2,222,903
4	Projected Year 1	1,039,047	971,376	3,261,950
5	Projected *			
6	Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule B-1
Title: Summary of Original Cost
and RCND

Explanation:
Schedule showing elements of adjusted original cost
and RCND rate bases.

Required for: All Utilities	<input checked="checked" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqmt	<input type="checkbox"/>

Line	Description	Original Cost Rate Base*	RCND Rate Base*
1	Gross Utility Plant in Service	\$ 2,222,903	
2	Less: Accumulated Depreciation	<u>(670,808)</u>	
3	Net Utility Plant in Service	\$ 1,552,095 (a)	(b)
4	Less:		
5	Advances in Aid of Construction	\$ (20,753) (c)	(c)
6	Contributions in Aid of Construction	(40,133) (c)	(c)
7	Customer Deposits	(8,950)	
8	Add:		
9	Amortization of Contributions	\$ 25,992	
10	Allowance for Working Capital	<u>-</u> (d)	(d)
11	Total Rate Base	<u>\$ 1,508,251</u> (e)	(e)

* Including pro forma adjustments

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule B-2 AMENDED
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:
Schedule showing pro forma adjustments to gross plant
in service and accumulated depreciation for the original
cost rate base.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

X

Line Description	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1 Gross Utility Plant in Service	\$ 2,222,903		\$ 2,222,903
2 Less: Accumulated Depreciation	(670,808)		(670,808)
3 Net Utility Plant in Service	\$ 1,552,095		\$ 1,552,095
4 Less:			
5 Advances in Aid of Construction	\$ (20,753)		\$ (20,753)
6 Contributions in Aid of Construction	(342,574)	302,441 a	(40,133)
7 Customer Deposits	(8,950)		(8,950)
8 Plus:			
9 Amortization of Contributions	\$ 25,992		\$ 25,992
10 Allowance for Working Capital	-		-
11 Total Rate Base	<u>\$ 1,214,760</u>		<u>\$ 1,508,251</u>

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule B-2a
Calculation of Adjustment to CIAC

Calculation of Adjustment a to Test Year Contributions in Aid of Construction

Line	Description	Amount
1	Test Year Gross CIAC Total	\$ 342,574
2	Test Year Gross CIAC not associated with Freeport Settlement	40,133
3	Adjustment to Test Year Gross CIAC	\$ 302,441
4		
5	Note: The Test Year CIAC amortization balance does not reflect any amortization of the Freeport	
6	Settlement amounts and thus does not need to be adjusted.	

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule B-5
Title: Computation of Working
Capital

Explanation:
Schedule showing computation of working capital allowance.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Description	Amount
1	Cash working capital	\$ -
2	Materials and Supplies Inventories	- (a)
3	Prepayments	- (a)
4	Total Working Capital Allowance	<u><u>\$ - (b)</u></u>

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-1
Title: Adjusted Test Year Income
Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec Reqmt ☐

Line	Acct	Description	Actual for Test Year Ended (a) 31-Dec-12	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Revenues							
1	461	Metered Water Revenue	\$ 235,327	\$ 12,838	\$ 248,165	\$ 50,083	\$ 298,248
2	460	Unmetered Water Revenue	-	-	-	-	-
3	474	Other Water Revenue	6,924	-	6,924	-	6,924
4		Total Revenues	\$ 242,251		\$ 255,089	\$ 50,083	\$ 305,172
Operating Expenses							
7	601	Salaries and Wages	\$ 16,712	\$ -	\$ 16,712	\$ -	\$ 16,712
8	604	Employee Pensions and Benefits	-	-	-	-	-
9	610	Purchased Water	-	-	-	-	-
10	615	Purchased Power	8,999	-	8,999	-	8,999
11	618	Chemicals	684	-	684	-	684
12	620	Materials & Supplies	8,127	-	8,127	-	8,127
13	621	Office Supplies and Expense	33,446	-	33,446	-	33,446
14	630	Outside Services	58,374	-	58,374	-	58,374
15	631	Contractual Services - Professional	-	-	-	-	-
16	635	Contractual Services - Testing	3,596	-	3,596	-	3,596
17	636	Contractual Services - Other	-	-	-	-	-
18	640	Rents	2,200	-	2,200	-	2,200
19	650	Transportation Expenses	6,073	-	6,073	-	6,073
20	567	Insurance - General Liability	5,165	-	5,165	-	5,165
21	659	Insurance - Health and Life	3,170	-	3,170	-	3,170
22	665	Regulatory Commission Expenses	63	-	63	-	63
		Regulatory Commission Expense Rate					
23	666	Case	-	9,230	9,230	-	9,230
24	670	Bad Debt Expense	-	-	-	-	-
25	675	Miscellaneous Expenses	-	-	-	-	-
26	403	Depreciation Expenses	54,560	94	54,654	-	54,654
27	408	Taxes Other Than Income	1,229	-	1,229	-	1,229
28	408.11	Property Taxes	7,555	4,931	12,486	818	13,304
29	409	Income Taxes	-	4,610	4,610	7,868	12,477
30	427.4	Interest Expense - Customer Deposits	-	306	306	-	306
31		Total Operating Expenses	\$ 209,953	\$ 19,171	\$ 229,124		\$ 237,809
32		OPERATING INCOME/(LOSS)	\$ 32,298		\$ 25,965		\$ 67,363
Other Income/(Expense)							
36	419	Interest and Dividend Income	\$ 6	\$ -	\$ 6	\$ -	\$ 6
37	421	Non-Utility Income	-	-	-	-	-
38	426	Interest Expense	(2,023)	306	(1,717)	-	(1,717)
39	427	Extraordinary Deductions	(87,582)	87,582	-	-	-
40		Total Other Income/(Expense)	\$ (89,599)	\$ 87,888	\$ (1,711)		\$ (1,711)
41		NET INCOME/(LOSS)	\$ (57,301)		\$ 24,254		\$ 65,652
CASH FLOW							
45		Add Depreciation Expense	54,560	94	54,654	-	54,654
46		Add Working Capital	-	-	-	-	-
47		Less Incremental Capital Expenditure	-	-	-	-	-
48		Add New Debt Principle In	-	-	-	-	-
49		Less Repayment of debt Principle	(70,778)	-	(70,778)	-	(70,778)
50		FREE CASH FLOW	\$ (73,519)		\$ 8,130		\$ 49,528
53		DSCR	-0.01		1.11		1.68

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2a to C-2q

Recap Schedules:
(c) A-1

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement

X					
All Utilities					
Class A					
Class B					
Class C					
Class D					
Spec'd Reqmt					

[illegible]

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2a
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENTS a.1 AND a.2 TO TEST YEAR REVENUE

Line	Description	Amount
1	End of year balance sheet corrections.	\$ 11,345
2	Plant adjustments and retirements from previous rate case.	1,879
3	Total Adjustment a.1 to Metered Water Revenue	\$ 13,223
4		
5	Removing amount billed to Naco Water's office.	(387)
6	Total Adjustment a.2 to Metered Water Revenue	\$ (387)

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2b
Title: Income Statement Proforma
Adjustments

OPERATING INCOME ADJUSTMENT #8 - PROPERTY TAX EXPENSE GRFC COMPONENT

LINE NO.	DESCRIPTION	[A] Test Year Adjusted	[B] At Required Revenue
1	Adjusted Test Year Revenues	\$ 255,089	\$ 255,089
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	510,177	510,177
4	Adjusted Test Year Revenues	255,089	
5	Required Revenue		305,172
6	Subtotal (Line 4 + Line 5)	765,266	815,349
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	255,089	271,783
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	510,177	543,566
11	Plus: 10% of CWIP	47	47
12	Less: Net Book Value of Licensed Vehicles	340	340
13	Full Cash Value (Line 10 + Line 11 - Line 12)	509,884	543,273
14	Assessment Ratio	20.0%	20.0%
15	Assessment Value (Line 13 * Line 14)	101,977	108,655
16	Composite Property Tax Rate	12.2439%	12.2439%
17	Test Year Adjusted Property Tax Expense (Line 15 * Line 16)	\$ 12,486	
18	Actual Property Tax Paid	\$ 7,555	
19	Test Year Adjustment (Line 17 - Line 18)	\$ 4,931	
20	Property Tax on Required Revenue (Line 15 * Line 16)		\$ 13,304
21	Test Year Adjusted Property Tax Expense (Line 17)		\$ 12,486
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 818
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 818
24	Increase in Revenue Requirement		\$ 50,083
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		1.63253%

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2c
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT c TO TEST YEAR EXPENSES

Reclssifies Interest on Customer Deposits as an Operating Expense		
Line	Description	Amount
1	Test Year Interest Paid on Customer Deposits	\$ 306

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2d
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT d TO RATE CASE EXPENSES

Line	Description	Amount
1	Estimated Rate Case Expenses	\$ 27,690
2	Amortization Period in years	<u>3</u>
3	Annual expense recovery	\$ 9,230
4	Subtract Actual Test Year Rate Case Expenses	<u>-</u>
5	Total Adjustment d	<u><u>\$ 9,230</u></u>

Naco Water Company

Schedule C-2e

Page 1 of 2

Docket No. W-01080A-13-

Title: Income Statement Proforma

Test Year Ended December 31, 2012

Adjustments

CALCULATION OF ADJUSTMENT e TO INCOME TAX EXPENSES

Line	Description		
1	Test Year		
2	Operating Income/(Loss) Before Taxes	\$ 30,574	
3	Add Interest Income	6	
4	Less Estimated Interest Expense	<u>(1,717)</u>	
5	Taxable Income	\$ 28,864	
6	Effective Combined Federal and State Income Tax Rate	<u>15.97%</u>	
7	Total Income Tax Expense		\$ 4,610
8	Test Year income Tax Expense		<u>\$ -</u>
9	Total Adjustment e to Test Year Income Taxes		<u><u>\$ 4,610</u></u>
10			
11	At Proposed Rates		
12	Operating Income/(Loss) Before Taxes	\$ 79,840	
13	Add Interest Income	6	
14	Less Estimated Interest Expense	<u>(1,717)</u>	
15	Taxable Income	\$ 78,129	
16	Effective Combined Federal and State Income Tax Rate	<u>15.97%</u>	
17	Total Income Tax Expense		\$ 12,477
18	Adjusted Test Year income Tax Expense		<u>\$ 4,610</u>
19	Total Adjustment to Income Taxes at Proposed Rates		<u><u>\$ 7,868</u></u>

Naco Water Company

Schedule C-2e

Page 2 of 2

Docket No. W-01080A-13-

Title: Income Statement Proforma

Test Year Ended December 31, 2012

Adjustments

**CALCULATION OF ALTERNATIVE INCOME TAX EXPENSE BASED ON
ASSUMPTION THAT NACO IS A C CORPORATION**

This calculation is required by the February 8, 2013 Policy Statement approved in Decision 73739

Line

1	Operating Income Before Income Taxes (Schedule C-1 line 33 + 29)	\$ 79,840.13
2	Arizona Corporate Income Tax Rate	6.97%
3	Arizona Corporate Income Tax (Line 2 X Line 3)	\$ 5,563
4		
5	Federal Taxable Income (Line 1 - Line 3)	\$ 74,277
6	Federal Corporate Income Tax Rate	\$7,500 + 25% of income above \$50,000
7	Federal Corporate Income Tax (Apply formula on Line 6 to Line 5)	\$ 26,069
8		
9	Total Income Tax (State and Federal) (Line 3 + Line 7)	\$ 31,632

The amount calculated here is greater than the amount calculated on page 1 of Schedule C-2e (\$12,477) so the \$12,477 amount will be used.

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2f
Title: Income Statement Proforma
Adjustments

DETAIL OF PROPOSED ADJSUTMENT f to DEPRECIATION EXPENSE

This adjustment eliminates the half year convention for plant added during the test year.

Line	Account Number	Description	Plant @ End of Test Year 31-Dec-12	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
1	301	Organization	\$ 198	0.00%		\$ -
2	303	Land & Land Rights	4,345	0.00%		\$ -
3	304	Structures & Improvements	5,918	3.33%		\$ 197.07
4	307	Wells & Springs	128,561	3.33%		\$ 4,281.08
5	311	Pumping Equipment 1	194,487	12.50%	1	\$ 7,741.00
6	320	Water Treatment Equipment	1,824	3.33%		\$ 60.74
7	330	Distribution Reservoirs & Standpipes	137,771	2.22%		\$ 3,058.52
8	331	Transmission & Distribution Mains	1,498,997	2.00%		29,980
9	333	Services	136,839	3.33%		4,557
10	334	Meters & Meter Installations 2	46,800	8.33%	2	1,561
11	335	Hydrants	34,717	2.00%		694
12	339	Other Plant and Misc Equipment	-	6.67%		-
13	340	Office Furniture & Equipment	9,202	6.67%		-
14	340.1	Computers and Software	-	33.33%		-
15	341	Transportation Equipment	20,298	20.00%		4,060
16	343	Tools, Shop, and Garage Equipment	128	5.00%		6
17	345	Power Operated Equipment	2,818	5.00%		-
18	346	Communication Equipment	-	10.00%		-
19	347	Miscellaneous Equipment	-	10.00%		-
20	348	Other Tangible Plant	-	10.00%		-
21		Totals	\$ 2,222,903			\$ 56,196
22				Amortization of CIAC		\$ (1,541)
23				Adjusted Depreciation Expense		\$ 54,655
24				Test Year Depreciation Expense		54,561
25	Ref			Total Adjustment f		\$ 94
26	1	\$132,559 of the total is fully depreciated.				
27	2	\$28,060 of the total is fully depreciated.				

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-2g
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT g TO NET INCOME

Line	Description	Amount
1	Adjustment for prior year accounting issues including balance sheet items and depreciaton.	<u>87,582</u>

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
Schedule showing incremental taxes on gross revenues and
the development of a gross revenue conversion factor.

Required for: All Utilities	<input checked="checked" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Speci Reqmt	<input type="checkbox"/>

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	17.3418%			
5	Subtotal (L3 - L4)	82.6582%			
6	Revenue Conversion Factor (L1 / L5)	1.209801			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	15.9700%			
9	One Minus Combined Income Tax Rate (L7 - L8)	84.0300%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Effective Combined Tax Rate of LLC's Owner:</u>					
12					
13					
14					
15					
16					
17	Combined Federal and State Income Tax Rate (See Testimony)	15.9700%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	15.9700%			
20	One Minus Combined Income Tax Rate (L18 - L19)	84.0300%			
21	Property Tax Factor (Schedule C-2b)	1.6325%			
22	Effective Property Tax Factor (L 21 * L 22)	1.3718%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		17.3418%		
24	Required Operating Income (Schedule A-1)	\$ 67,363			
25	Adjusted Test Year Operating Income (Loss) (Schedule C-1)	\$ 25,965			
26	Required Increase in Operating Income (L24 - L25)		\$ 41,398		
27	Income Taxes on Recommended Revenue (Schedule C2e)	\$ 12,477			
28	Income Taxes on Test Year Revenue (Schedule C2e)	\$ 4,610			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 7,868		
30	Recommended Revenue Requirement	\$ 305,172			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (Schedule C-2b)	\$ 13,304			
36	Property Tax on Test Year Revenue (Schedule C-2b)	\$ 12,486			
37	Increase in Property Tax Due to Increase in Revenue (Schedule C-2b)		\$ 818		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 50,083		

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule D-1
Title: Summary Cost of Capital

Explanation:
 Schedule showing elements of capital structure
 and the related cost.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specd Reqmt ☐

Line	Invested Capital	End of Test Year				End of Projected Year			
		Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
1	Long-Term Debt (a)	\$ 1,208,258	72.31%	0.13%	0.09%	\$ 1,208,258	72.31%	0.13%	0.09%
2	Common Equity (c)	462,570	27.69%	15.80%	4.37%	462,570	27.69%	15.80%	4.37%
3	Totals	\$ 1,670,828	100.00%		4.47%	\$ 1,670,828	100.00%		4.47%

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-1
Title: Comparative Balance
Sheet

Explanation:
Schedule showing comparative balance sheets at the end of the
test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line	Acct #	ASSETS	Test Year At 31-Dec-12	Prior Year 31-Dec-11	Prior Year 31-Dec-10
1		Property, Plant & Equipment: (a)			
2	101	Utility Plant In Service	\$ 2,222,903	\$ 2,222,376	\$ 1,555,023
3	103	Property Held for Future Use			689,026
4	105	Construction Work in Process	378,346	-	-
5	108	Accumulated Depreciation	(670,808)	(614,707)	(559,308)
6		Total Property Plant & Equipment	\$ 1,930,441	\$ 1,607,669	\$ 1,684,741
7		Current Assts:			
8	131	Cash	\$ 209,941	\$ 9,165	\$ 5,116
9	134	Working Funds	\$ -	\$ 166,943	\$ 152,055
10	135	Temporary Cash Investments	-	-	-
11	141	Customer Accounts Receivable	20,179	35,194	91,226
12	146	Notes/Receivables from Associated Companies	-	-	-
13	151	Plant Material and Supplies	-	-	-
14	162	Prepayments	-	-	-
15	174	Miscellaneous Current and Accrued Assets	-	(1,663)	2,414
16		Total Current Assets	\$ 230,120	\$ 209,639	\$ 250,811
17		TOTAL ASSETS	\$ 2,160,561	\$ 1,817,308	\$ 1,935,552
18		LIABILITIES and CAPITAL			
19		Capitalization: (b)			
20	201	Common Stock Issued	\$ -	\$ -	\$ -
21	211	Paid in Capital in Excess of Par Value	-	-	-
22	215	Retained Earnings	302,746	-	-
23	218	Proprietary Capital	159,824	408,464	491,528
24		Total Capital	\$ 462,570	\$ 408,464	\$ 491,528
25		Current Liabilities:			
26	231	Accounts Payable	\$ 141,197	\$ 57,007	\$ 85,023
27	232	Notes Payable (Current Portion)	-	-	-
28	234	Notes/Accounts Payable to Associated Companies	-	-	-
29	235	Customer Deposits	8,950	17,893	17,517
30	236	Accrued Taxes	1,474	3,884	3,472
31	237	Accrued Interest	-	-	-
32	241	Miscellaneous Current and Accrued Liabilities	779	19,000	19,000
33		Total Current Liabilities	\$ 152,400	\$ 97,784	\$ 125,012
34	224	Long-Term Debt (Over 12 Months)	\$ 1,208,258	\$ 1,287,375	\$ 1,383,673
35		Deferred Credits			
36	252	Advances In Aid Of Construction	\$ 20,753	\$ 4,050	\$ 2,500
37	255	Accumulated Deferred Investment Tax Credits	-	-	-
38	271	Contributions In Aid Of Construction	342,574	40,133	40,133
39	272	Less: Amortization of Contributions	(25,992)	(20,498)	(19,465)
40	281	Accumulated Deferred Income Tax	-	-	-
41		Total Deferred Credits	\$ 337,335	\$ 23,685	\$ 23,168
42		Total Liabilities	\$ 1,697,993	\$ 1,408,844	\$ 1,531,853
43		TOTAL LIABILITIES and CAPITAL	\$ 2,160,563	\$ 1,817,308	\$ 2,023,381

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-2
Title: Comparative Income
Statements

Explanation:
Schedule showing comparative income statements for the test
year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Acct #		Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
		Revenues: (a)			
1	461	Metered Water Revenue	\$ 235,327	\$ 256,357	\$ 260,939
2	460	Unmetered Water Revenue		-	-
3	474	Other Water Revenue	6,924	3,450	5,490
4		Total Revenues	\$ 242,251	\$ 259,807	\$ 266,429
5		Operating Expenses (a)			
6	601	Salaries and Wages	\$ 16,712	\$ 17,118	\$ 18,616
7	604	Employee Pensions and Benefits	-	-	-
8	610	Purchased Water	-	-	-
9	615	Purchased Power	8,999	10,062	10,610
10	618	Chemicals	684	1,180	1,132
11	620	Materials & Supplies	8,127	4,911	4,629
12	621	Office Supplies and Expense	33,446	6,772	6,654
13	630	Outside Services	58,374	51,453	84,069
14	631	Contractual Services - Professional	-	-	-
15	635	Contractual Services - Testing	3,596	3,617	5,673
16	636	Contractual Services - Other	-	-	-
17	640	Rents	2,200	2,600	2,000
18	650	Transportation Expenses	6,073	8,245	7,329
19	567	Insurance - General Liability	5,165	4,587	2,646
	659	Insurance - Health and Life	3,170	2,602	1,944
20	665	Regulatory Commission Expenses	63	-	-
21	670	Bad Debt Expense	-	-	-
22	675	Miscellaneous Expenses	-	39,304	-
23	403	Depreciation Expenses	54,560	47,789	35,583
24	408	Taxes Other Than Income	1,229	2,490	2,741
25	408.11	Property Taxes	7,555	16,657	15,167
26	409	Income Taxes	-	(1,274)	4,205
27	427.4	Interest Expense - Customer Deposits	-	-	-
28		Total Operating Expenses	\$ 209,953	\$ 218,113	\$ 202,998
28		OPERATING INCOME/(LOSS)	\$ 32,298	\$ 41,694	\$ 63,431
29		Other Income/(Expense)			
30	419	Interest and Dividend Income	\$ 6	\$ 6	\$ 8
31	421	Non-Utility Income	-	912	2,960
32	426	Interest Expense	(2,023)	(31,270)	(33,385)
33	427	Extraordinary Deductions	(87,582)	-	-
34		Total Other Income/(Expense)	\$ (89,599)	\$ (30,352)	\$ (30,417)
35		NET INCOME/(LOSS)	\$ (57,301)	\$ 11,342	\$ 33,014

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-5
Title: Detail of Utility Plant

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Line	Account Number	Description	End of Prior Year at 31-Dec-11	Net Additions	End of Test Year at 31-Dec-12
1	302	Franchises	\$ 198	\$ -	\$ 198
2	303	Land & Land Rights	4,345	-	4,345
3	304	Structures & Improvements	5,918	-	5,918
4	307	Wells & Springs	128,561	-	128,561
5	311	Pumping Equipment	194,087	400	194,487
6	320	Water Treatment Equipment	1,824	-	1,824
7	320.1	Water Treatment Plants	-	-	-
8	320.2	Solution Chemical Feeders	-	-	-
9	330	Distribution Reservoirs & Standpipes	137,771	-	137,771
10	330.1	Storage Tanks	-	-	-
11	330.2	Pressure Tanks.	-	-	-
12	331	Transmission & Distribution Mains	1,501,072	(2,075)	1,498,997
13	333	Services	136,839	-	136,839
14	334	Meters & Meter Installations	44,598	2,202	46,800
15	335	Hydrants	34,717	-	34,717
16	339	Other Plant and Misc Equipment	-	-	-
17	340	Office Furniture & Equipment	9,202	-	9,202
18	340.1	Computers and Software	-	-	-
19	341	Transportation Equipment	20,298	-	20,298
20	343	Tools, Shop, and Garage Equipment	128	-	128
21	345	Power Operated Equipment	2,818	-	2,818
22	348	Other Tangible Plant	-	-	-
23		Total Plant In Service	\$ 2,222,376	\$ 527	\$ 2,222,903
24	108	Accumulated Depreciation	(614,707)	(56,101)	(670,808)
25		Net Plant In Service	\$ 1,607,669	\$ (55,574)	\$ 1,552,095
26	103	Property Held for Future Use	-	-	-
27	105	Construction Work in Process	-	378,346	378,346
28		Total Net Plant	\$ 1,607,669	\$ 322,772	\$ 1,930,441

Supporting Schedules:

Recap Schedules:
E-1 A-4

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-7
Title: Operating Statistics

Explanation:
Schedule showing key operating statistics in comparative format,
for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Water Statistics:	Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
1	Gallons Sold - By Class of Service:			
2	Residential	16,705,751	17,891,193	18,303,212
3	Commercial	2,837,460	3,038,807	3,108,788
4	Average Number of Customers - By Class of Service:			
5	Residential	294	289	295
6	Commercial	24	24	24
7	Average Annual Gallons Per Residential Customer	56,822	61,885	62,119
8	Average Annual Revenue Per Residential Customer	\$ 718	\$ 725.89	\$ 727.49
9	Pumping Cost Per 1,000 Gallons	\$ 0.46	\$ 0.48	\$ 0.50

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-8
Title: Taxes Charged to
Operations

Explanation:
Schedule showing all significant taxes charged to operations for
the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Description	Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
1	Federal Taxes:			
2	Income	\$ -	\$ -	\$ -
3	Payroll	1,166	1,235	1,381
4	Total Federal Taxes	\$ 1,166	\$ 1,235	\$ 1,381
5	State Taxes:			
6	Income	\$ -	\$ -	\$ -
7	Payroll	63	1	1
8	Total State Taxes	\$ 63	\$ 1	\$ 1
9	Local Taxes:			
10	Property	\$ 7,555	\$ 16,657	\$ 15,167
11	Total Local Taxes	7,555	16,657	15,167
12	Total Taxes	<u>\$ 8,784</u>	<u>\$ 17,894</u>	<u>\$ 16,549</u>

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Disclosures should include, but not be limited to the following:

- 1 Accounting Method.
Accural basis using the NARUC USoA.
- 2 Depreciation lives and methods employed by major classification of utility property.

**Proposed depreciation rates are depicted on Schedule C-2f and were
taken from ACC Engineering Staff Memo regarding their
recommended rates for depreciation.**

- 3 Income tax treatment - normalization or flow through.
Normilization per the February 8, 2013 Policy Statement approved in Decision 73739.
- 4 Interest rate used to charge interest during construction, if applicable.
Not Applicable.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule F-1 AMENDED
Title: Projected Income Statements -
Present and Proposed Rates

Explanation:
Schedule showing an income statement for the projected year,
compared with actual test year results, at present and proposed
rates.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

		Projected Year		
		Actual	At Present	At Proposed
		Test Year	Rates	Rates
		Ended (a)	Year Ended (b)	Year Ended (b)
		31-Dec-12	31-Dec-13	31-Dec-13
Line				
	Operating Revenues:			
1	461 Metered Water Revenue	\$ 235,327	\$ 248,165	\$ 298,248
2	460 Unmetered Water Revenue	-	-	-
3	474 Other Water Revenue	6,924	6,924	6,924
4	Total Revenues	\$ 242,251	\$ 255,089	\$ 305,172
5	Operating Expenses (a)			
6	601 Salaries and Wages	\$ 16,712	\$ 16,712	\$ 16,712
7	604 Employee Pensions and Benefits	-	-	-
8	610 Purchased Water	-	-	-
9	615 Purchased Power	8,999	8,999	8,999
10	618 Chemicals	684	684	684
11	620 Materials & Supplies	8,127	8,127	8,127
12	621 Office Supplies and Expense	33,446	33,446	33,446
13	630 Outside Services	58,374	58,374	58,374
14	631 Contractual Services - Professional	-	-	-
15	635 Contractual Services - Testing	3,596	3,596	3,596
16	636 Contractual Services - Other	-	-	-
17	640 Rents	2,200	2,200	2,200
18	650 Transportation Expenses	6,073	6,073	6,073
19	567 Insurance - General Liability	5,165	5,165	5,165
20	659 Insurance - Health and Life	3,170	3,170	3,170
21	665 Regulatory Commission Expenses	63	63	63
22	666 Regulatory Commission Expense Rate Case	-	-	9,230
23	670 Bad Debt Expense	-	-	-
24	675 Miscellaneous Expenses	-	-	-
25	403 Depreciation Expenses	54,560	54,654	54,654
26	408 Taxes Other Than Income	1,229	1,229	1,229
27	408.1 Property Taxes	7,555	12,486	13,304
28	409 Income Taxes	-	4,610	12,477
29	427.4 Interest Expense - Customer Deposits	-	-	306
30	Total Operating Expenses	\$ 209,953	\$ 219,587	\$ 237,809
31	OPERATING INCOME/(LOSS)	\$ 32,298	\$ 35,501	\$ 67,363
32	Other Income/(Expense)	\$ -	\$ -	\$ -
33	419 Interest and Dividend Income	6	6	6
34	421 Non-Utility Income	-	-	-
35	426 Interest Expense	(2,023)	(1,717)	(1,717)
36	427 Extraordinary Deductions	(87,582)	(1,711)	(1,711)
37	Total Other Income/(Expense)	\$ (89,599)	\$ (3,421)	\$ (3,421)
38	NET INCOME/(LOSS)	\$ (57,301)	\$ 32,080	\$ 63,942
39	Earnings per share of average			
40	Common Stock Outstanding*	NA	NA	NA
41	% Return on Common Equity	-12.4%	6.9%	13.8%

* Naco is an LLC and thus does not have Commons Stock Outstanding.

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule F-3
**Title: Projected Construction
Requirements**

<p>Explanation: Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.</p>	<p>Required for: All Utilities</p> <p>Class A</p> <p>Class B</p> <p>Class C</p> <p>Class D</p> <p>Spec'l Reqmt</p>	<table border="1" style="border-collapse: collapse; width: 30px;"> <tr><td> </td></tr> <tr><td>X</td></tr> <tr><td>X</td></tr> <tr><td>X</td></tr> <tr><td>X</td></tr> <tr><td> </td></tr> </table>		X	X	X	X		<p>3 yrs projected</p> <p>1 yrs projected</p>
X									
X									
X									
X									

Line	Property Classification	Actual Test Year Ended 12/31/2012	End of Projected Year 1
1	Production Plant	\$ 400	\$ 352,240
2	Transmission Plant	(2,075)	686,807
3	Other Plant	2,202	-
4	Total Plant	\$ 527	\$ 1,039,047

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule F-4
Title: Assumptions Used in
Developing Projection

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for: All Utilities
Class A
Class B
Class C
Class D
Speci Reqmt

X

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

Projections were prepared under the assumption of zero customer growth.

2 Growth in consumption and customer demand

Consumer demand has declined each year for the past three years. However, for purposes of preparing projections consumption is assumed to be stable. This is a simplifying assumption meant to reduce the complexity of the application.

3 Changes in expenses

The Company believes the 2012 Test Year, with the proforma adjustments included in this application, accurately depict expense levels for the utility going forward (other than general inflationary effects.)

4 Construction requirements including production reserves and changes in plant capacity

Significant plant additons as detailed in Schedule F-3 will come on line in the upcoming months. These plant additions are the result of Freeport-McMoRan's agreement to replace a contaminated well. Replacement of the well necessitates building transmission plant in order to access the new well.

5 Capital structure changes

The amount of debt and equity is not expected to change significantly. The plant additions associated with the Freeport settlement will be funded with CIAC.

6 Financing costs, interest rates

Naco has two loans with WIFA: Loan Number 920124-08 with a balance of \$993,990 at year end 2012 and interest rate of 0% and WIFA Administrative Fees of \$20,266 in 2012 and \$26,560 in 2013. Loan Number 922022-99 with a balance of 208,956 at year end 2012 and an interest rate of 7.35% and WIFA Administrative fees of \$7,046 in 2012 and \$5,816 in 2013.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-01380A-12-
Test Year Ended December 31, 2011

Schedule H-1
**Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates**

Explanation:
Schedule comparing revenues by customer classification for
the Test Year, at present and proposed rates.

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Customer Classification	Adjusted Present Rates	Proposed Rates	Proposed Increase (b)	
				Amount	%
	<i>Residential</i>				
1	5/8 by 3/4-inch	\$ 208,074	\$ 249,933	\$ 41,859	20.12%
2	3/4-inch	629	750	121	19.27%
3	1-inch	750	858	108	14.46%
4	<i>Total Residential</i>	\$ 209,453	\$ 251,542	\$ 42,089	20.09%
5	<i>Commercial</i>				
6	5/8 by 3/4-inch	\$ 10,544	\$ 12,417	\$ 1,874	17.77%
7	1-inch	5,939	7,021	1,082	18.23%
8	1 1/2-inch	1,351	1,589	238	17.61%
9	2-inch	20,335	24,848	4,512	22.19%
10	3-inch	534	850	316	59.22%
11	<i>Total Commercial</i>	\$ 38,703	\$ 46,725	\$ 8,022	20.73%
12	Hydrant Sales	-	-	-	0.00%
13	Total Metered Water Revenue	\$ 248,156	\$ 298,267	\$ 50,111	20.19%
14	Other Revenue	6,924	6,924	-	0.00%
15	<i>Total Revenue</i>	<u>\$ 255,080</u>	<u>\$ 305,191</u>	<u>\$ 50,111</u>	<u>19.65%</u>
16					
17					

Note: For combination utilities, above information should be presented in total and by department.

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule H-3
Change in Representative Rate Schedules
Page 1 of 2 AMENDED

Explanation:
Schedule comparing present rate schedule to proposed
rate schedule.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Monthly Usage Charge

	Present Rate	Proposed Rate	% Change
5/8th by 3/4" Meters	32.16	36.81	14%
3/4" Meters	32.16	36.81	14%
1" Meters	62.50	71.54	14%
1.5" Meters	82.50	94.43	14%
2" Meters	96.20	110.11	14%
3" Meters	180.00	206.03	14%
4" Meters	285.00	326.21	14%
6" Meters	600.00	686.75	14%

Commodity Charges

	Present Rates			Proposed Rates			% Change
	Tier Breaks	Rate		Tier Breaks	Rate		
5/8th by 3/4" Meters	1 to 3,000	4.54		1 to 3,000	5.72		26%
(Residential)	3001 to 9,000	6.82		3001 to 9,000	8.59		26%
	over 9,000	8.19		over 9,000	10.32		26%
3/4" Meters	1 to 3,000	4.54		1 to 3,000	5.72		26%
(Residential)	3001 to 9,000	6.82		3001 to 9,000	8.59		26%
	over 9,000	8.19		over 9,000	10.32		26%
5/8th by 3/4" Meters	1 to 9,000	6.82		1 to 3,000	5.72		-16% *
(Commercial)	over 9,000	8.19		3001 to 9,000	8.59		5% *
				over 9,000	10.32		26% *
3/4" Meters	1 to 9,000	6.82		1 to 3,000	5.72		-16% *
(Commercial)	over 9,000	8.19		3001 to 9,000	8.59		5% *
				over 9,000	10.32		26% *
1" Meters	1 to 18,000	6.82		1 to 30,000	8.59		26% *
(Residential & Commercial)	over 18,000	8.19		over 30,000	10.32		26% *
1.5" Meters	1 to 30,000	6.82		1 to 30,000	8.59		26%
(Residential & Commercial)	over 30,000	8.19		over 30,000	10.32		26%
2" Meters	1 to 35,000	6.82		1 to 30,000	8.59		26% *
(Residential & Commercial)	over 35,000	8.19		over 30,000	10.32		26% *
3" Meters	1 to 93,000	6.82		1 to 30,000	8.59		26% *
(Residential & Commercial)	over 93,000	8.19		over 30,000	10.32		26% *
4" Meters	1 to 150,000	6.82		1 to 30,000	8.59		26% *
(Residential & Commercial)	over 150,000	8.19		over 30,000	10.32		26% *
6" Meters	1 to 300,000	6.82		1 to 30,000	8.59		26% *
(Residential & Commercial)	over 300,000	8.19		over 30,000	10.32		26% *

*Note: For meter sizes where the proposed Tier Breaks are changing the percent change does not reflect the % change across all usage levels. It is simply the percent change in the rate.

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule H-3
Change in Representative Rate Schedules
Page 2 of 2 AMENDED

Service Line and Meter Installation Charges					
	Present Rate	Proposed Rate		% Change	
		Service Line	Meter Installation	Total	
5/8th by 3/4" Meters	450.00	490.00	131.50	621.50	38%
3/4" Meters	475.00	490.00	232.50	722.50	52%
1" Meters	550.00	547.00	293.00	840.00	53%
1.5" Meters	775.00	609.50	505.50	1,115.00	44%
2" Meters	1,375.00	927.00	1,030.50	1,957.50	42%
3" Meters	1,975.00	1,171.00	1,661.50	2,832.50	43%
4" Meters	3,040.00	1,661.00	2,646.50	4,307.50	42%
6" Meters	5,635.00	2,478.50	5,025.50	7,504.00	33%

Service Charges			
	Present Rate	Proposed Rate	% Change
Establishment	\$ 30.00	\$ 30.00	0%
Establishment (After Hours)	40.00	Eliminate	NA
Reconnection (Delinquent)	30.00	30.00	0%
Reconnection (After Hours)	40.00	Eliminate	NA
After Hours Service Charge	NA	35.00	NA
Meter Test (If Correct)	30.00	30.00	0%
Deposit	*	*	0%
Deposit Interest	*	*	0%
Reestablishment (Within 12 months)	**	**	0%
Reestablishment (After Hours)	**	Eliminate	NA
NSF Check	20.00	20.00	0%
Deferred Payment per month	1.5% of	1.5% of	
	Outstanding Balance	Outstanding Balar	0%
Meter Reread (if correct)	15.0	15.0	0%
Moving Customer Meter at			
Customer request per rule			
R14-2-405B	Cost	Cost	0%

*Per Commission Rule AAC R-14-2-403(B)

**Months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, use, and franchise tax. Per Commission Rules 14-2-409(D)(5).

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule H-4
Typical Bill Analysis
Page 1 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.
5/8" by 3/4" Meters

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4000	52.60	62.56	19%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	32.16	36.81	14%
1,000	36.70	42.53	16%
2,000	41.24	48.25	17%
3,000	45.78	53.97	18%
4,000	52.60	62.56	19%
5,000	59.42	71.16	20%
6,000	66.24	79.75	20%
7,000	73.06	88.34	21%
8,000	79.88	96.93	21%
9,000	86.70	105.53	22%
10,000	94.89	115.84	22%
15,000	135.84	167.44	23%
20,000	176.79	219.03	24%
25,000	217.74	270.62	24%
50,000	422.49	528.59	25%
75,000	627.24	786.56	25%
100,000	831.99	1,044.53	26%

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule H-4
Typical Bill Analysis
Page 2 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

3/4" Meters

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	3030.00	45.98	54.23	19%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	32.16	36.81	14%
1,000	36.70	42.53	16%
2,000	41.24	48.25	17%
3,000	45.78	53.97	18%
4,000	52.60	62.56	19%
5,000	59.42	71.16	20%
6,000	66.24	79.75	20%
7,000	73.06	88.34	21%
8,000	79.88	96.93	21%
9,000	86.70	105.53	22%
10,000	94.89	115.84	22%
15,000	135.84	167.44	23%
20,000	176.79	219.03	24%
25,000	217.74	270.62	24%
50,000	422.49	528.59	25%
75,000	627.24	786.56	25%
100,000	831.99	1,044.53	26%

Naco Water Company
Docket No. W-01080A-13-
Test Year Ended December 31, 2012

Schedule H-4
Typical Bill Analysis
Page 3 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

1" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4290.00	91.76	108.40	18%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	62.50	71.54	14%
1,000	69.32	80.13	16%
2,000	76.14	88.72	17%
3,000	82.96	97.31	17%
4,000	89.78	105.91	18%
5,000	96.60	114.50	19%
6,000	103.42	123.09	19%
7,000	110.24	131.69	19%
8,000	117.06	140.28	20%
9,000	123.88	148.87	20%
10,000	130.70	157.46	20%
15,000	164.80	200.43	22%
20,000	201.64	243.39	21%
25,000	242.59	286.35	18%
50,000	447.34	449.76	1%
75,000	652.09	707.73	9%
100,000	856.84	965.70	13%

Naco Water Company
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Test Year Ended December 31, 2012

Schedule H-4
Typical Bill Analysis
Page 4 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

1.5" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	110.46	129.66	17%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	82.50	94.43	14%
1,000	89.32	103.02	15%
2,000	96.14	111.61	16%
3,000	102.96	120.21	17%
4,000	109.78	128.80	17%
5,000	116.60	137.39	18%
6,000	123.42	145.98	18%
7,000	130.24	154.58	19%
8,000	137.06	163.17	19%
9,000	143.88	171.76	19%
10,000	150.70	180.35	20%
15,000	184.80	223.32	21%
20,000	218.90	266.28	22%
25,000	253.00	309.24	22%
50,000	450.90	472.65	5%
75,000	655.65	730.62	11%
100,000	860.40	988.59	15%

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 5 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

2" Meters

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	124.16	145.34	17%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	96.20	110.11	14%
1,000	103.02	118.70	15%
2,000	109.84	127.29	16%
3,000	116.66	135.89	16%
4,000	123.48	144.48	17%
5,000	130.30	153.07	17%
6,000	137.12	161.67	18%
7,000	143.94	170.26	18%
8,000	150.76	178.85	19%
9,000	157.58	187.44	19%
10,000	164.40	196.04	19%
15,000	198.50	239.00	20%
20,000	232.60	281.96	21%
25,000	266.70	324.92	22%
50,000	457.75	488.34	7%
75,000	662.50	746.30	13%
100,000	867.25	1,004.27	16%

Naco Water Company
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Test Year Ended December 31, 2012

Schedule H-4
Typical Bill Analysis
Page 6 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

2" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	207.96	241.26	16%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	180.00	206.03	14%
1,000	186.82	214.62	15%
2,000	193.64	223.21	15%
3,000	200.46	231.80	16%
4,000	207.28	240.40	16%
5,000	214.10	248.99	16%
6,000	220.92	257.58	17%
7,000	227.74	266.17	17%
8,000	234.56	274.77	17%
9,000	241.38	283.36	17%
10,000	248.20	291.95	18%
15,000	282.30	334.92	19%
20,000	316.40	377.88	19%
25,000	350.50	420.84	20%
50,000	521.00	584.25	12%
75,000	691.50	842.22	22%
100,000	871.59	1,100.19	26%

Naco Water Company
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Test Year Ended December 31, 2011

Schedule H-5
Page 1 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

5/8 x 3/4-Inch Meter - RESIDENTIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Rqm	<input type="checkbox"/>

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption		
				No.	% of Total	Amount	% of Total	
1	0	0	170	0	170	4.92%	0	0.00%
2	1	1000	432	216,216	602	17.42%	216,216	1.30%
3	1001	2000	369	553,685	971	28.10%	769,901	4.64%
4	2001	3000	354	885,177	1,325	38.34%	1,655,078	9.98%
5	3001	4000	407	1,424,704	1,732	50.12%	3,079,781	18.57%
6	4001	5000	410	1,845,205	2,142	61.98%	4,924,986	29.69%
7	5001	6000	308	1,694,154	2,450	70.89%	6,619,140	39.91%
8	6001	7000	251	1,631,626	2,701	78.15%	8,250,766	49.74%
9	7001	8000	201	1,507,601	2,902	83.97%	9,758,366	58.83%
10	8001	9000	162	1,377,081	3,064	88.66%	11,135,447	67.14%
11	9001	10000	100	950,050	3,164	91.55%	12,085,497	72.87%
12	10001	12000	106	1,166,053	3,270	94.62%	13,251,550	79.90%
13	12001	14000	60	780,030	3,330	96.35%	14,031,580	84.60%
14	14001	16000	45	675,023	3,375	97.66%	14,706,603	88.67%
15	16001	18000	25	425,013	3,400	98.38%	15,131,615	91.23%
16	18001	20000	18	342,009	3,418	98.90%	15,473,624	93.29%
17	20001	25000	18	405,009	3,436	99.42%	15,878,633	95.73%
18	25001	30000	7	192,504	3,443	99.62%	16,071,137	96.89%
19	30001	35000	5	162,503	3,448	99.77%	16,233,639	97.87%
20	35001	40000	2	75,001	3,450	99.83%	16,308,640	98.33%
21	40001	45000	3	127,502	3,453	99.91%	16,436,142	99.10%
22	45001	50000	2	95,001	3,455	99.97%	16,531,143	99.67%
23	50001	60000	1	55,001	3,456	100.00%	16,586,143	100.00%
24	60001	70000	0	0	3,456	100.00%	16,586,143	100.00%
25	70001	80000	0	0	3,456	100.00%	16,586,143	100.00%
26	80001	90000	0	0	3,456	100.00%	16,586,143	100.00%
27	90001	100000	0	0	3,456	100.00%	16,586,143	100.00%
28	TOTALS		3456	16,586,143	3456		16,586,143	
29								
30	Average Number of Customers:				288			
31								
32	Average Consumption:				4,785			
33								
34	Median Consumption:				4,000			

Naco Water Company
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Schedule H-5
Page 2 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

3/4-Inch Meter -RESIDENTIAL

Line Number			Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	0	0	0	0.00%	0	0.00%
2	1	1000	0	0	0	0.00%	0	0.00%
3	1001	2000	3	4,502	3	25.00%	4,502	9.89%
4	2001	3000	3	7,502	6	50.00%	12,003	26.38%
5	3001	4000	2	7,001	8	66.67%	19,004	41.76%
6	4001	5000	1	4,501	9	75.00%	23,505	51.65%
7	5001	6000	2	11,001	11	91.67%	34,506	75.83%
8	6001	7000	0	0	11	91.67%	34,506	75.83%
9	7001	8000	0	0	11	91.67%	34,506	75.83%
10	8001	9000	0	0	11	91.67%	34,506	75.83%
11	9001	10000	0	0	11	91.67%	34,506	75.83%
12	10001	12000	1	11,001	12	100.00%	45,506	100.00%
13	12001	14000	0	0	12	100.00%	45,506	100.00%
14	14001	16000	0	0	12	100.00%	45,506	100.00%
15	16001	18000	0	0	12	100.00%	45,506	100.00%
16	18001	20000	0	0	12	100.00%	45,506	100.00%
17	20001	25000	0	0	12	100.00%	45,506	100.00%
18	25001	30000	0	0	12	100.00%	45,506	100.00%
19	30001	35000	0	0	12	100.00%	45,506	100.00%
20	35001	40000	0	0	12	100.00%	45,506	100.00%
21	40001	45000	0	0	12	100.00%	45,506	100.00%
22	45001	50000	0	0	12	100.00%	45,506	100.00%
23	50001	60000	0	0	12	100.00%	45,506	100.00%
24	60001	70000	0	0	12	100.00%	45,506	100.00%
25	70001	80000	0	0	12	100.00%	45,506	100.00%
26	80001	90000	0	0	12	100.00%	45,506	100.00%
27	90001	100000	0	0	12	100.00%	45,506	100.00%
28	TOTALS		12	45,506	12		45,506	
29								
30	Average Number of Customers:				1			
31								
32	Average Consumption:				3,785			
33								
34	Median Consumption:				3,030			

Naco Water Company
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Test Year Ended December 31, 2011

Schedule H-5
Page 3 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

1-Inch Meter -RESIDENTIAL:

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line Number	Block		Number of Bills by Block	Consumption by Blocks	Cummulative Bills		Cummulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	12	0	12	100.00%	0	100.00%
2	1	1000	0	0	12	100.00%	0	100.00%
3	1001	2000	0	0	12	100.00%	0	100.00%
4	2001	3000	0	0	12	100.00%	0	100.00%
5	3001	4000	0	0	12	100.00%	0	100.00%
6	4001	5000	0	0	12	100.00%	0	100.00%
7	5001	6000	0	0	12	100.00%	0	100.00%
8	6001	7000	0	0	12	100.00%	0	100.00%
9	7001	8000	0	0	12	100.00%	0	100.00%
10	8001	9000	0	0	12	100.00%	0	100.00%
11	9001	10000	0	0	12	100.00%	0	100.00%
12	10001	12000	0	0	12	100.00%	0	100.00%
13	12001	14000	0	0	12	100.00%	0	100.00%
14	14001	16000	0	0	12	100.00%	0	100.00%
15	16001	18000	0	0	12	100.00%	0	100.00%
16	18001	20000	0	0	12	100.00%	0	100.00%
17	20001	25000	0	0	12	100.00%	0	100.00%
18	25001	30000	0	0	12	100.00%	0	100.00%
19	30001	35000	0	0	12	100.00%	0	100.00%
20	35001	40000	0	0	12	100.00%	0	100.00%
21	40001	45000	0	0	12	100.00%	0	100.00%
22	45001	50000	0	0	12	100.00%	0	100.00%
23	50001	60000	0	0	12	100.00%	0	100.00%
24	60001	70000	0	0	12	100.00%	0	100.00%
25	70001	80000	0	0	12	100.00%	0	100.00%
26	80001	90000	0	0	12	100.00%	0	100.00%
27	90001	100000	0	0	12	100.00%	0	100.00%
28	TOTALS		12	0	12		0	
29								
30	Average Number of Customers:				1			
31								
32	Average Consumption:				0			
33								
34	Median Consumption:				0			

Naco Water Company
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Test Year Ended December 31, 2011

Schedule H-5
Page 4 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

5/8 x 3/4-Inch Meter - COMMERCIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

Line Number	Block		Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	13	0	13	9.85%	0	0.00%
2	1	1000	48	24,024	61	46.21%	24,024	2.80%
3	1001	2000	17	25,509	78	59.09%	49,533	5.77%
4	2001	3000	8	20,004	86	65.15%	69,537	8.09%
5	3001	4000	4	14,002	90	68.18%	83,539	9.72%
6	4001	5000	1	4,501	91	68.94%	88,039	10.25%
7	5001	6000	2	11,001	93	70.45%	99,040	11.53%
8	6001	7000	2	13,001	95	71.97%	112,041	13.04%
9	7001	8000	1	7,501	96	72.73%	119,542	13.92%
10	8001	9000	1	8,501	97	73.48%	128,042	14.90%
11	9001	10000	4	38,002	101	76.52%	166,044	19.33%
12	10001	12000	4	44,002	105	79.55%	210,046	24.45%
13	12001	14000	6	78,003	111	84.09%	288,049	33.53%
14	14001	16000	5	75,003	116	87.88%	363,052	42.26%
15	16001	18000	2	34,001	118	89.39%	397,053	46.22%
16	18001	20000	3	57,002	121	91.67%	454,054	52.85%
17	20001	25000	3	67,502	124	93.94%	521,556	60.71%
18	25001	30000	2	55,001	126	95.45%	576,557	67.11%
19	30001	35000	1	32,501	127	96.21%	609,057	70.90%
20	35001	40000	1	37,501	128	96.97%	646,558	75.26%
21	40001	45000	0	0	128	96.97%	646,558	75.26%
22	45001	50000	1	47,501	129	97.73%	694,058	80.79%
23	50001	60000	3	165,002	132	100.00%	859,060	100.00%
24	60001	70000	0	0	132	100.00%	859,060	100.00%
25	70001	80000	0	0	132	100.00%	859,060	100.00%
26	80001	90000	0	0	132	100.00%	859,060	100.00%
27	90001	100000	0	0	132	100.00%	859,060	100.00%
28	TOTALS		132	859,060	132		859,060	
29								
30	Average Number of Customers:				11			
31								
32	Average Consumption:				6,482			
33								
34	Median Consumption:				1,365			

Explanation:

Schedule(s) showing billing activity by block for each rate schedule.

1-Inch Meter - COMMERCIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

Line Number			Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	6	0	6	12.50%	0	0.00%
2	1	1000	4	2,002	10	20.83%	2,002	0.48%
3	1001	2000	6	9,003	16	33.33%	11,005	2.65%
4	2001	3000	8	20,004	24	50.00%	31,009	7.48%
5	3001	4000	0	0	24	50.00%	31,009	7.48%
6	4001	5000	0	0	24	50.00%	31,009	7.48%
7	5001	6000	1	5,501	25	52.08%	36,510	8.81%
8	6001	7000	0	0	25	52.08%	36,510	8.81%
9	7001	8000	1	7,501	26	54.17%	44,010	10.62%
10	8001	9000	5	42,503	31	64.58%	86,513	20.87%
11	9001	10000	2	19,001	33	68.75%	105,514	25.45%
12	10001	12000	4	44,002	37	77.08%	149,516	36.07%
13	12001	14000	1	13,001	38	79.17%	162,516	39.21%
14	14001	16000	1	15,001	39	81.25%	177,517	42.82%
15	16001	18000	1	17,001	40	83.33%	194,517	46.93%
16	18001	20000	0	0	40	83.33%	194,517	46.93%
17	20001	25000	4	90,002	44	91.67%	284,519	68.64%
18	25001	30000	2	55,001	46	95.83%	339,520	81.91%
19	30001	35000	1	32,501	47	97.92%	372,021	89.75%
20	35001	40000	0	0	47	97.92%	372,021	89.75%
21	40001	45000	1	42,501	48	100.00%	414,521	100.00%
22	45001	50000	0	0	48	100.00%	414,521	100.00%
23	50001	60000	0	0	48	100.00%	414,521	100.00%
24	60001	70000	0	0	48	100.00%	414,521	100.00%
25	70001	80000	0	0	48	100.00%	414,521	100.00%
26	80001	90000	0	0	48	100.00%	414,521	100.00%
27	90001	100000	0	0	48	100.00%	414,521	100.00%
28	TOTALS		48	414,521	48		414,521	
29								
30	Average Number of Customers:				4			
31								
32	Average Consumption:				8,652			
33								
34	Median Consumption:				4,290			

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

1.5-Inch Meter - COMMERCIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqt	<input type="checkbox"/>

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0	0	0	0	0.00%	0	0.00%
2	1	1	501	1	8.33%	501	0.94%
3	1001	1	1,501	2	16.67%	2,001	3.78%
4	2001	2	5,001	4	33.33%	7,002	13.21%
5	3001	2	7,001	6	50.00%	14,003	26.42%
6	4001	2	9,001	8	66.67%	23,004	43.40%
7	5001	0	0	8	66.67%	23,004	43.40%
8	6001	1	6,501	9	75.00%	29,505	55.66%
9	7001	2	15,001	11	91.67%	44,506	83.96%
10	8001	1	8,501	12	100.00%	53,006	100.00%
11	9001	0	0	12	100.00%	53,006	100.00%
12	10001	0	0	12	100.00%	53,006	100.00%
13	12001	0	0	12	100.00%	53,006	100.00%
14	14001	0	0	12	100.00%	53,006	100.00%
15	16001	0	0	12	100.00%	53,006	100.00%
16	18001	0	0	12	100.00%	53,006	100.00%
17	20001	0	0	12	100.00%	53,006	100.00%
18	25001	0	0	12	100.00%	53,006	100.00%
19	30001	0	0	12	100.00%	53,006	100.00%
20	35001	0	0	12	100.00%	53,006	100.00%
21	40001	0	0	12	100.00%	53,006	100.00%
22	45001	0	0	12	100.00%	53,006	100.00%
23	50001	0	0	12	100.00%	53,006	100.00%
24	60001	0	0	12	100.00%	53,006	100.00%
25	70001	0	0	12	100.00%	53,006	100.00%
26	80001	0	0	12	100.00%	53,006	100.00%
27	90001	0	0	12	100.00%	53,006	100.00%
28	TOTALS	12	53,006	12		53,006	
29							
30	Average Number of Customers:			1			
31							
32	Average Consumption:			4,408			
33							
34	Median Consumption:			4,100			

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Rcqm ☐

1-Inch Meter - COMMERCIAL

Line Number	Block		Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	7	0	7	6.93%	0	0.00%
2	1	1000	16	8,008	23	22.77%	8,008	0.53%
3	1001	2000	6	9,003	29	28.71%	17,011	1.13%
4	2001	3000	2	5,001	31	30.69%	22,012	1.47%
5	3001	4000	8	28,004	39	38.61%	50,016	3.33%
6	4001	5000	7	31,504	46	45.54%	81,520	5.43%
7	5001	6000	3	16,502	49	48.51%	98,021	6.53%
8	6001	7000	5	32,503	54	53.47%	130,524	8.70%
9	7001	8000	3	22,502	57	56.44%	153,025	10.20%
10	8001	9000	2	17,001	59	58.42%	170,026	11.33%
11	9001	10000	5	47,503	64	63.37%	217,529	14.50%
12	10001	12000	4	44,002	68	67.33%	261,531	17.43%
13	12001	14000	9	117,005	77	76.24%	378,535	25.23%
14	14001	16000	4	60,002	81	80.20%	438,537	29.23%
15	16001	18000	1	17,001	82	81.19%	455,538	30.36%
16	18001	20000	0	0	82	81.19%	455,538	30.36%
17	20001	25000	1	22,501	83	82.18%	478,038	31.86%
18	25001	30000	0	0	83	82.18%	478,038	31.86%
19	30001	35000	1	32,501	84	83.17%	510,539	34.02%
20	35001	40000	0	0	84	83.17%	510,539	34.02%
21	40001	45000	4	170,002	88	87.13%	680,541	45.35%
22	45001	50000	2	95,001	90	89.11%	775,542	51.68%
23	50001	60000	4	220,002	94	93.07%	995,544	66.35%
24	60001	70000	3	195,002	97	96.04%	1,190,545	79.34%
25	70001	80000	3	225,002	100	99.01%	1,415,547	94.34%
26	80001	90000	1	85,001	101	100.00%	1,500,547	100.00%
27	90001	100000	0	0	101	100.00%	1,500,547	100.00%
28	TOTALS		101	1,500,547	101		1,500,547	
29								
30	Average Number of Customers:				8			
31								
32	Average Consumption:				14,734			
33								
34	Median Consumption:				6,700			

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3-Inch Meter - COMMERCIAL

Required for: All Utilities	X
Class A	
Class B	
Class C	
Class D	
Specd Reqm	

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0 0	1	0	1	33.33%	0	0.00%
2	1 1000	0	0	1	33.33%	0	0.00%
3	1001 2000	0	0	1	33.33%	0	0.00%
4	2001 3000	0	0	1	33.33%	0	0.00%
5	3001 4000	0	0	1	33.33%	0	0.00%
6	4001 5000	1	4,501	2	66.67%	4,501	16.67%
7	5001 6000	0	0	2	66.67%	4,501	16.67%
8	6001 7000	0	0	2	66.67%	4,501	16.67%
9	7001 8000	0	0	2	66.67%	4,501	16.67%
10	8001 9000	0	0	2	66.67%	4,501	16.67%
11	9001 10000	0	0	2	66.67%	4,501	16.67%
12	10001 12000	0	0	2	66.67%	4,501	16.67%
13	12001 14000	0	0	2	66.67%	4,501	16.67%
14	14001 16000	0	0	2	66.67%	4,501	16.67%
15	16001 18000	0	0	2	66.67%	4,501	16.67%
16	18001 20000	0	0	2	66.67%	4,501	16.67%
17	20001 25000	1	22,501	3	100.00%	27,001	100.00%
18	25001 30000	0	0	3	100.00%	27,001	100.00%
19	30001 35000	0	0	3	100.00%	27,001	100.00%
20	35001 40000	0	0	3	100.00%	27,001	100.00%
21	40001 45000	0	0	3	100.00%	27,001	100.00%
22	45001 50000	0	0	3	100.00%	27,001	100.00%
23	50001 60000	0	0	3	100.00%	27,001	100.00%
24	60001 70000	0	0	3	100.00%	27,001	100.00%
25	70001 80000	0	0	3	100.00%	27,001	100.00%
26	80001 90000	0	0	3	100.00%	27,001	100.00%
27	90001 100000	0	0	3	100.00%	27,001	100.00%
28	TOTALS	3	27,001	3		27,001	
29							
30	Average Number of Customers:			0.3			
31							
32	Average Consumption:			8,500			
33							
34	Median Consumption:			4,900			

EXHIBIT 2

Company Name: Naco Water Company, L.L.C.

Name of System: Well site 4 ADEQ Public Water System Number: 02-112

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2011

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	57	245	240	-
FEBRUARY	59	235	177	-
MARCH	60	241	249	-
APRIL	60	310	283	-
MAY	60	426	336	-
JUNE	60	455	412	-
JULY	60	433	322	-
AUGUST	58	339	183	-
SEPTEMBER	59	310	220	-
OCTOBER	60	328	322	-
NOVEMBER	60	254	255	-
DECEMBER	60	262	336	-
TOTALS		3,838	3,335	-

What is the level of arsenic for each well on your system? 0.0026 mg/l

(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 500 GPM for 2 hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES NO N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES NO

If Yes, please provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

Company Name: Naco Water Company, L.L.C.

Name of System: Township: ADEQ Public Water System Number: 02-024

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2011

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	244	1,091	1,162	-
FEBRUARY	248	1,337	1,348	-
MARCH	246	1,075	1,349	-
APRIL	248	1,253	1,427	-
MAY	245	1,321	1,512	-
JUNE	246	1,652	1,887	-
JULY	244	1,340	1,639	-
AUGUST	240	1,065	1,135	-
SEPTEMBER	244	1,134	1,285	-
OCTOBER	244	1,307	1,563	-
NOVEMBER	245	1,168	1,336	-
DECEMBER	244	1,273	1,519	-
TOTALS		15,016	17,162	-

What is the level of arsenic for each well on your system? 0.0050 & 0.0058 mg/l

(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 500 GPM for 2 hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES NO N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES NO

If Yes, please provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

Company Name: Naco Water Company, L.L.C.

Name of System: Well Site 3 ADEQ Public Water System Number: 02-133

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2011

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	11	30	39	-
FEBRUARY	12	39	16	-
MARCH	12	38	33	-
APRIL	12	46	46	-
MAY	12	51	50	-
JUNE	12	70	68	-
JULY	12	68	67	-
AUGUST	12	36	37	-
SEPTEMBER	12	39	40	-
OCTOBER	12	48	51	-
NOVEMBER	12	49	167	-
DECEMBER	12	47	50	-
TOTALS		561	664	-

What is the level of arsenic for each well on your system? _____ mg/l

(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? _____ GPM for _____ hours

If system has chlorination treatment, does this treatment system chlorinate continuously?

YES NO N/A

Is the water utility located in an ADWR Active Management Area (AMA)?

YES NO

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

YES NO

If Yes, please provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

EXHIBIT 3

Company Name: Naco Water Company, L.L.C.	
Name of System: Well #4	ADEQ Public Water System Number: 02-112

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-551849	15	85	450	8	4	1995

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS	
Horsepower	Quantity
7.5	2

FIRE HYDRANTS	
Quantity Standard	Quantity Other

STORAGE TANKS	
Capacity	Quantity
20,000	1

PRESSURE TANKS	
Capacity	Quantity
2,000	1

Note: If you are filling for more than one system, please provide separate sheets for each system.

Company Name: Naco Water Company, L.L.C.		
Name of System: Well 4	ADEQ Public Water System Number:	02-112

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC (Airport line)	5,500
3		
4	PVC C-900	5,985
5		
6		
8		
10		
12		
2	PVC SCH 80	1,755
1	PVC/STEEL	6,180
	(Goat Ranch line)	

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	72
3/4	
1	1
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Four Chlorinators

STRUCTURES:

1,100' of 6' Chain Link Fence

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

Company Name: Naco Water Company, L.L.C.	
Name of System: Town Ship	ADEQ Public Water System Number: 02-024

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-575700	15	182	410	10	4	1999
55-562944	10	80	312	8	3	1997

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS	
Horsepower	Quantity
5.0	2
15.0	2

FIRE HYDRANTS	
Quantity Standard	Quantity Other
18	

STORAGE TANKS	
20,000	1
50,000	1

PRESSURE TANKS	
Capacity	Quantity
2,000	1
5,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

Company Name: Naco Water Company, L.L.C.

Name of System: Town Ship

ADEQ Public Water System Number:

02-024

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC/STEEL	1470
3		
4	PVC	8700
5		
6	PVC	13240
8	PVC	330
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	276
3/4	1
1	4
1 1/2	1
2	9
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Two Chlorinators

STRUCTURES:

600' of 6' Chain Link Fence

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

Company Name: Naco Water Company, L.L.C.

Name of System: Well Site 3

ADEQ Public Water System Number: 02-133

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (inches)	Meter Size (inches)	Year Drilled
55-203321	5	35	312	6	2	2004

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS

Horsepower	Quantity
5.0	1

FIRE HYDRANTS

Quantity Standard	Quantity Other

STORAGE TANKS

Capacity	Quantity
7,000	1

PRESSURE TANKS

Capacity	Quantity
750	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

Company Name: Naco Water Company, L.L.C.		
Name of System: Well 3	ADEQ Public Water System Number:	02-133

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC/STEEL	790
3	ABS	1,170
4		
5		
6		
8		
10		
12		
2	PVC	110 (2012)

CUSTOMER METERS

Size (in inches)	Quantity
5/8 x 3/4	11
3/4	
1	
1 1/2	
2	
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, please list the utility owned assets in each category.

TREATMENT EQUIPMENT:

Four Chlorinators

STRUCTURES:

1,100' of 6' Chain Link Fence

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.



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4 Phoenix, Arizona 85004
5 (602)-604-2189
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7 Attorneys for Naco Water Company, LLC

RECEIVED

2014 JAN 24 P 4: 12

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 BOB STUMP, CHAIRMAN
10 GARY PIERCE
11 BOB BURNS
12 SUSAN BITTER SMITH
13 BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JAN 24 2014

DOCKETED BY

14 APPLICATION OF NACO WATER
15 COMPANY, LLC FOR A PERMANENT
16 INCREASE TO ITS WATER RATES

DOCKET NO: W-02860A-13-0399

**RESPONSE TO STAFF'S
LETTER OF DEFICIENCY**

17 Naco Water Company, L.L.C. ("Company" or "Naco"), hereby responds to Staff's
18 letter of deficiency as follows:

19 **I. PRELIMINARY STATEMENT**

20 The application as filed should be deemed sufficient because the reasons justifying
21 the finding of deficiency either involve compliance matters unrelated to the rate
22 application or were typographical errors. Three of the five issues identified in the
23 deficiency finding involve compliance with Decision No. 69393. The Company asserts
24 that rate applications should not be deemed deficient due to the fact that the Company
25 may need to file documents in another docket concerning matters that are unrelated to the
26 rate application.

27 Further, the references to 2011 rather than 2012 were scrivener errors. The
28 Company acknowledges that the H Schedules and water use data sheets inadvertently

EXHIBIT

A - 2

ADMITTED

1 identified data as 2011 rather than 2012. But these were non-substantive errors; the
2 correct year is 2012 as indicated throughout the application.

3
4 **II. RESPONSES TO SPECIFIC ISSUES RAISED**

5 1. Test year on Schedule H-1 and H-5 (all pages) is 2011 but test year identified in
6 the direct testimony is 2012.

7 **Response: The Test Year is 2012. See corrected schedules set forth in**
8 **Attachment 1. The docket number was also revised to reflect the administrative**
9 **revisions instituted since the previous rate case.**

10
11 2. Water use data sheet by month (Exhibit 2) is for calendar year 2011.

12 **Response: The data is for 2012. These sheets were taken from the 2012 Annual**
13 **Report.**

14
15 3. Water Loss

16 Well Site 4 System (Bisbee Junction System)

17 Water usage data for the test year suggests a negative 15.08% water loss which is most
18 unlikely based on natural law. When the issue was brought to Naco's attention, Naco
19 filed its Water Loss Report on December 12, 2013, including its entire 2013 year water
20 usage data. In this report, Bisbee Junction System had 11.43% water loss which exceeds
21 10% water loss limit.

22 **Response: In 2012, the Bisbee Junction system had a meter malfunction, so**
23 **the data is not accurate. Further, even if the system's water loss exceeds 10%, this**
24 **is no reason to deny sufficiency of the rate application.**

25
26 Township System

27 Water usage data for the test year suggests a 12.50% water loss which exceeds 10% water
28 loss limit. When the issue was brought to Naco's attention, Naco filed its Water Loss

1 Report on December 12, 2013 and included its entire 2013 year water usage data. In this
2 report, Township System had 15.90% water loss; situation is getting worse than year
3 2012.

4 **Response:** The Company denies that the situation is getting worse. Naco's
5 historic water loss exceeded 20% and the stated water loss in 2012 and 2013 are well
6 below the historic averages. Further, the stated water loss values appear to be
7 calculated based solely on the difference between the metered sales and the metered
8 well pumpage. This approach does not address unmetered water that Naco may be
9 able to explain, such as flushing, fire hydrant tests, fire department use, water main
10 breaks, etc. These types of adjustments have always been explained during the
11 discovery process, typically in response to data requests.

12 To be clear, the Company submits the water use sheets from the annual
13 reports because in the past Staff has urged this approach. If the rate application
14 numbers and the annual report numbers did not match, Staff would require
15 detailed explanations. Thus, by now holding up sufficiency based upon unadjusted
16 numbers is inappropriate. This issue should be worked through during the normal
17 course of the rate case as has been done for the past decade.

18
19 Well Site 3 System (Naco Highway System)

20 Water usage data for the test year suggests a 15.51% water loss which exceeds 10% water
21 loss limit. When the issue was brought to Naco's attention, Naco filed its Water Loss
22 Report on December 12, 2013. Naco included its entire 2013 year water usage data. In
23 this report, Naco High Way System does not have its complete water usage data, missing
24 data from April to December.

25 **Response:** Staff's assertion that data is missing is incorrect. In April 2013,
26 the Naco Highway System was interconnected with the Township System and Well 3
27 is no longer used. Therefore, the water loss calculations are included in the
28 Township System numbers.

1
2 Decision No. 69393

3 In Decision No. 69393, page 19, line 1 through 7, the Commission ordered that Naco
4 *"filing its next rate application, it shall file a statement whether water loss has been*
5 *reduced to 10% or less, and if water loss is still greater than 10% for any of its systems,*
6 *it shall file with such rate case, a plan to reduce its water loss to 10% if not cost-effective,*
7 *it shall submit, before filing its next rate application, a detailed cost analysis and*
8 *explanation demonstrating why water loss reduction to 10% or less is not cost effective."*

9 Naco filed a Compliance Regarding Decision 69393 on December 12, 2013 regarding
10 "Water Loss Reduction Statement/Plan". In this compliance filing, Naco did not provide
11 either a water loss reduction plan or a detailed cost analysis and has not submitted any
12 detailed explanation demonstration why water loss reduction to 10% or less is not cost
13 effective.

14 **Response: First, The Bisbee Junction system had a meter malfunction, so the**
15 **data is not accurate. Second, if the Company's water loss is greater than 10%, then**
16 **Decision No. 69393 requires Naco to file a plan to reduce its water loss to 10% or file**
17 **an explanation and cost analysis demonstrating why reducing water loss to 10% is**
18 **not cost effective before filing the rate case. Eight days before filing the rate case,**
19 **Naco filed a water loss reduction statement/plan. Naco explained that it has made**
20 **more than \$2.3 million in improvements, but the older portion of the systems still**
21 **leak. Naco then stated it will institute a leak detection program and a meter**
22 **replacement program. The meter replacement program will cost approximately**
23 **\$1,400 per month in meter costs to replace 20 meters per month if there is going to**
24 **be any significant water reduction. Including labor and other costs will add an**
25 **additional \$400 in expense per month, so the cost will be approximately \$2,000 per**
26 **month. With approximately 300 customers, it will take 15 months to complete and**
27 **cost a total of \$30,000.**
28

1
2 **To implement the leak detection program would cost approximately \$10,000.**
3 **This does include repair costs and addresses just the Township System. The leak**
4 **detection task would likely take seven business days. Obviously, until the leaks are**
5 **identified, the cost to repair the leaks will be unknown. Thus, at a minimum, the**
6 **cost to replace the meters and identify the leaks is \$40,000.**

7 **The Company believes this expense can be prorated over four years, meaning**
8 **Naco would need to generate an additional \$833 per month in revenue for metered**
9 **water sales. Whether or not this is deemed cost effective is certainly a subjective**
10 **judgment, and the Company is willing to implement the program. Therefore,**
11 **provided Staff recommends the revenue adjustment to address the water loss issue,**
12 **the Company is willing to implement the program.**

13
14 **4. Storage deficiencies in the Bisbee Junction system and the Naco Highway system**
15 **In Decision No. 69393, page 19, line 8 through 11, the Commission ordered that Naco**
16 ***"shall file with its next rate case, a plan to resolve such storage deficiencies."* However,**
17 **Naco did not provide any plan to resolve the problem.**

18 **Response: The storage issues are resolved. The Naco Highway System has been**
19 **interconnected with the Township System. The Bisbee Junction System has 22,000**
20 **gallons of storage to meet the demand of 60 customers. This is ample storage to**
21 **meet demands.**

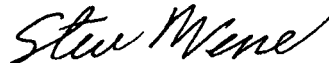
22
23 **5. Sulfate Problem**

24 **In Decision No. 69393, the Commission ordered Naco to file a hydrologic study to**
25 **determine the extent of the sulfate problem, and to determine if the sulfates can be traced**
26 **to Phelps Dodge mining operation. Naco filed its hydrology study regarding sulfate**
27 **plume on December 12, 2013, however that report was issued in 2007. An update of**
28 **sulfate problem status needs to be provided.**

1 **Response: There is no updated hydrology study. The Company anticipates it will**
2 **address Staff's questions regarding the sulfate plume during the discovery phase of**
3 **the case.**

4 **RESPECTFULLY SUBMITTED this 24th day of January, 2014.**

5 **MOYES SELLERS & HENDRICKS LTD.**

6
7 

8 Steve Wene

9
10 **Original and 13 copies of the foregoing**
11 **Filed this 24th day of January, 2014, with:**

12 **Docket Control**
13 **Arizona Corporation Commission**
14 **1200 West Washington**
15 **Phoenix, Arizona 85007**

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ATTACHMENT 1

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule A-1
Title: Computation of Increase in Gross
Revenue Requirements

Explanation:
Schedule showing computation of increase in
gross revenue requirements and spread of revenue
increase by customer classification.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Special Reqmt ☐

Line	Original Cost	RCND
1 Adjusted Rate Base	\$ 1,508,251 (a)	(a)
2 Adjusted Operating Income	\$ 25,965 (b)	(b)
3 Current Rate of Return	1.72%	
4 Required Operating Income	\$ 67,363	
5 Required Rate of Return	4.47%	
6 Operating Income Deficiency (4 - 2)	\$ 41,398	
7 Gross Revenue Conversion Factor	1.210 (c)	(c)
8 Increase in Gross Revenue Requirements (6 x 7)	\$ 50,083	
9 Cash Flow at Proposed Rates		
10 Operating Income	\$ 67,363	
11 Depreciation Expense	\$ 54,654	
12 Estimated Operating Cash (Line 10 + 11)	\$ 122,017	
13 Total Debt Service	\$ (72,489)	
14 Estimated Conditional Cash Flow (Line 12 + 13)	\$ 49,528	
15 Proposed Revenue	\$ 305,172	
16 Conditional Cash Flow as Percent of Revenue (Line 14/Line 15)	16%	
17 Operating Margin at Proposed Rates		
18 Operating Income	\$ 67,363	
19 Proposed Revenue	\$ 305,172	
20 Operating Margin (Line 18/Line 19)	22%	
21 DSCR Calculation		
22 Proposed Operating Income plus Depreciation Expense	\$ 122,017	
23 Annual Debt Service	\$ (72,489)	
24 Debt Service Coverage Ratio (Line 22/Line 23)	1.68	

Customer Classification	Adjusted Revenue at Present Rates	Revenue at Proposed Rates	Projected Revenue Increase Due to Rates	% Dollar Increase
25 Residential	\$ 209,453	\$ 251,542	\$ 42,089	20.09%
26 Commercial	38,703	46,725	8,022	20.73%
27 Hydrant	-	-	-	0.00%
28 Other	6,924	6,924	-	0.00%
29 Total	\$ 255,089	\$ 305,172	\$ 50,081	19.63%

Note: For combination utilities, the above information should be presented in total and by department.

Supporting Schedules:

(a) B-1 (c) C-3

(b) C-1 (d) H-1

Naco Water Company

Docket No. W-02860A-13-0399

Test Year Ended December 31, 2012

Schedule A-2**Title: Summary Results of Operations****Explanation:**

Schedule showing comparative operating results for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities

Class A

Class B

Class C

Class D

Spec'l Reqmt

☒☐☐☐☐☐

Line	Description	<u>Prior Years</u>		<u>Test Year</u>		<u>Projected Year</u>	
		Year End	Year End	Actual	Adjusted	Present	Proposed
		31-Dec-10	31-Dec-11	Rates	Rates	Rates	Rates
		(a)	(a)	(a)	(b)	(c)	(c)
1	Gross Revenues	\$ 266,429	\$ 259,807	\$ 242,251	\$ 255,089	\$ 255,089	\$ 305,172
2	Revenue Deductions & Operating Expenses	(202,998)	(218,113)	(209,953)	(229,124)	(229,124)	(237,809)
3	Operating Income	\$ 63,431	\$ 41,694	\$ 32,298	\$ 25,965	\$ 25,965	\$ 67,363
4	Other Income and Deductions	(30,417)	(30,352)	6	6	6	6
5	Interest Expense	(33,385)	(31,270)	(2,023)	(1,717)	(1,717)	(1,717)
6	Net Income	\$ (371)	\$ (19,928)	\$ 30,281	\$ 24,254	\$ 24,254	\$ 65,652
7	Earned Per Average Common Share*	NA†	NA†	NA†	NA†		
8	Dividends Per Common Share*	NA†	NA†	NA†	NA†		
9	Payout Ratio*	NA†	NA†	NA†	NA†		
10	Return on Average Invested Capital	-0.02%	-1.12%	1.80%	1.44%	1.44%	3.90%
11	Return on Year End Capital	-0.02%	-1.18%	1.81%	1.45%	1.45%	3.93%
12	Return on Average Common Equity	-0.08%	-4.43%	6.95%	5.57%	5.57%	15.07%
13	Return on Year End Common Equity	-0.08%	-4.88%	6.55%	5.24%	5.24%	14.19%
14	Times Bond Interest Earned - Before Inc Tax	(0.14)	(0.60)	14.97	14.13	14.13	38.24
15	Times Total Interest and Preferred Dividends						
16	Earned - After Income Taxes	(0.01)	(0.64)	14.97	14.13	14.13	38.24

Supporting Schedules:

(a) E-2

(b) C-1

(c) F-1

*Optional for projected year

†Naco is an LLC and does not have "shares."

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule A-4
Title: Construction Expenditures and
Gross Utility Plant in Service

Explanation:
Schedule showing construction expenditures, plant placed in service and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Year	Construction Expenditures (a)	Net Plant Placed In Service (b)	Gross Utility Plant In Service
1	Prior Year 1 - 2010	\$ 3,607	(31,976)	\$ 1,555,023
2	Prior Year 2 - 2011	667,353	619,564	2,222,376
3	Test Year - 2012	527	(54,033)	2,222,903
4	Projected Year 1	1,039,047	971,376	3,261,950
5	Projected *			
6	Projected *			

* Required only for Class A and B Utilities

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:

(a) F-3

(b) E-5

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule B-1
Title: Summary of Original Cost
and RCND

Explanation:
Schedule showing elements of adjusted original cost
and RCND rate bases.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Description	Original Cost Rate Base*	RCND Rate Base*
1	Gross Utility Plant in Service	\$ 2,222,903	
2	Less: Accumulated Depreciation	<u>(670,808)</u>	
3	Net Utility Plant in Service	\$ 1,552,095 (a)	(b)
4	Less:		
5	Advances in Aid of Construction	\$ (20,753) (c)	(c)
6	Contributions in Aid of Construction	(40,133) (c)	(c)
7	Customer Deposits	(8,950)	
8	Add:		
9	Amortization of Contributions	\$ 25,992	
10	Allowance for Working Capital	<u>-</u> (d)	(d)
11	Total Rate Base	<u>\$ 1,508,251</u> (e)	(e)

* Including pro forma adjustments

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule B-2 AMENDED
Title: Original Cost Rate Base
Proforma Adjustments

Explanation:
Schedule showing pro forma adjustments to gross plant
in service and accumulated depreciation for the original
cost rate base.

Required for: All Utilities

X

Class A

Class B

Class C

Class D

Spec'l Reqmt

Line Description	Actual at End Of Test Year (a)	Pro forma Adjustment	Adjusted at End Of Test Year (b)
1 Gross Utility Plant in Service	\$ 2,222,903		\$ 2,222,903
2 Less: Accumulated Depreciation	(670,808)		(670,808)
3 Net Utility Plant in Service	\$ 1,552,095		\$ 1,552,095
4 Less:			
5 Advances in Aid of Construction	\$ (20,753)		\$ (20,753)
6 Contributions in Aid of Construction	(342,574)	302,441 a	(40,133)
7 Customer Deposits	(8,950)		(8,950)
8 Plus:			
9 Amortization of Contributions	\$ 25,992		\$ 25,992
10 Allowance for Working Capital	-		-
11 Total Rate Base	<u>\$ 1,214,760</u>		<u>\$ 1,508,251</u>

All pro forma adjustments should be adequately explained on this schedule or on attachments hereto.

NOTE: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule B-2a
Calculation of Adjustment to CIAC

Calculation of Adjustment a to Test Year Contributions in Aid of Construction

Line	Description	Amount
1	Test Year Gross CIAC Total	\$ 342,574
2	Test Year Gross CIAC not associated with Freeport Settlement	40,133
3	Adjustment to Test Year Gross CIAC	\$ 302,441
4		
5	Note: The Test Year CIAC amortization balance does not reflect any amortization of the Freeport	
6	Settlement amounts and thus does not need to be adjusted.	

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule B-5
Title: Computation of Working
Capital

Explanation:
Schedule showing computation of working capital allowance.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Description	Amount
1	Cash working capital	\$ -
2	Materials and Supplies Inventories	- (a)
3	Prepayments	- (a)
4	Total Working Capital Allowance	<u>\$ - (b)</u>

NOTES:

1. Adequate detail should be provided to determine the bases for the above computations.
2. Adjusted test year operating expenses should be used in computing cash working capital requirements.
3. Combination utilities should compute working capital allowances for each department.

Supporting Schedules:
(a) E-1

Recap Schedules:
(b) B-1

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-1
Title: Adjusted Test Year Income Statement

Explanation:
Schedule showing statement of income for the test year,
including pro forma adjustments.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line	Acct	Description	Actual for Test Year Ended (a) 31-Dec-12	Proforma Adjustments (b)	Test Year Results After Pro Forma Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Revenues							
1	461	Metered Water Revenue	\$ 235,327	\$ 12,838	\$ 248,165	\$ 50,083	\$ 298,248
2	460	Unmetered Water Revenue	-	-	-	-	-
3	474	Other Water Revenue	6,924	-	6,924	-	6,924
4		Total Revenues	\$ 242,251		\$ 255,089	\$ 50,083	\$ 305,172
Operating Expenses							
7	601	Salaries and Wages	\$ 16,712	\$ -	\$ 16,712	\$ -	\$ 16,712
8	604	Employee Pensions and Benefits	-	-	-	-	-
9	610	Purchased Water	-	-	-	-	-
10	615	Purchased Power	8,999	-	8,999	-	8,999
11	618	Chemicals	684	-	684	-	684
12	620	Materials & Supplies	8,127	-	8,127	-	8,127
13	621	Office Supplies and Expense	33,446	-	33,446	-	33,446
14	630	Outside Services	58,374	-	58,374	-	58,374
15	631	Contractual Services - Professional	-	-	-	-	-
16	635	Contractual Services - Testing	3,596	-	3,596	-	3,596
17	636	Contractual Services - Other	-	-	-	-	-
18	640	Rents	2,200	-	2,200	-	2,200
19	650	Transportation Expenses	6,073	-	6,073	-	6,073
20	567	Insurance - General Liability	5,165	-	5,165	-	5,165
21	659	Insurance - Health and Life	3,170	-	3,170	-	3,170
22	665	Regulatory Commission Expenses	63	-	63	-	63
		Regulatory Commission Expense Rate					
23	666	Case	-	9,230	9,230	-	9,230
24	670	Bad Debt Expense	-	-	-	-	-
25	675	Miscellaneous Expenses	-	-	-	-	-
26	403	Depreciation Expenses	54,560	94	54,654	-	54,654
27	408	Taxes Other Than Income	1,229	-	1,229	-	1,229
28	408.11	Property Taxes	7,555	4,931	12,486	818	13,304
29	409	Income Taxes	-	4,610	4,610	7,868	12,477
30	427.4	Interest Expense - Customer Deposits	-	306	306	-	306
31		Total Operating Expenses	\$ 209,953	\$ 19,171	\$ 229,124		\$ 237,809
32		OPERATING INCOME/(LOSS)	\$ 32,298		\$ 25,965		\$ 67,363
Other Income/(Expense)							
36	419	Interest and Dividend Income	\$ 6	\$ -	\$ 6	\$ -	\$ 6
37	421	Non-Utility Income	-	-	-	-	-
38	426	Interest Expense	(2,023)	306	(1,717)	-	(1,717)
39	427	Extraordinary Deductions	(87,582)	87,582	-	-	-
40		Total Other Income/(Expense)	\$ (89,599)	\$ 87,888	\$ (1,711)		\$ (1,711)
41		NET INCOME/(LOSS)	\$ (57,301)		\$ 24,254		\$ 65,652
CASH FLOW							
44		Add Depreciation Expense	54,560	94	54,654	-	54,654
45		Add Working Capital	-	-	-	-	-
46		Less Incremental Capital Expenditure	-	-	-	-	-
47		Add New Debt Principle In	-	-	-	-	-
48		Less Repayment of debt Principle	(70,778)	-	(70,778)	-	(70,778)
49		FREE CASH FLOW	\$ (73,519)		\$ 8,130		\$ 49,528
50		DSCR	-0.01		1.11		1.68

Note: For combination utilities, above information should be presented in total and by department.

Supporting Schedules:
(a) E-2
(b) C-2a to C-2q

Recap Schedules:
(c) A-1

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2
Title: Adjusted Test Year Income Statement

Required for:

All Liabilities	X
Class A	
Class B	
Class C	
Class D	
Spec Rept	

Explanation:
Schedule itemizing pro forma adjustments to the test year income statement

Line	Acct #	Description	Actual for Test Year Adjustments to Test Year Revenue and Expense					Test Year Results After Pro Forma Adjustments
			Year Ended (a) 31-Dec-12	Adj a.1	Adj a.2	Adj b	Adj c	
1	461	Metered Water Revenue	\$ 235,327	\$ 13,223	\$ (386)			\$ 248,165
2	460	Unmetered Water Revenue	-					-
3	474	Other Water Revenue	6,924					6,924
4		Total Revenues	\$ 242,251					\$ 255,089
5		Operating Expenses						
6	601	Salaries and Wages	\$ 16,712					\$ 16,712
8	604	Employee Pensions and Benefits	-					-
9	610	Purchased Water	-					-
10	615	Purchased Power	8,999					8,999
11	618	Chemicals	684					684
12	620	Materials & Supplies	8,127					8,127
13	621	Office Supplies and Expense	33,446					33,446
14	630	Outside Services	58,374					58,374
15	631	Contractual Services - Professional	-					-
16	635	Contractual Services - Testing	3,596					3,596
17	636	Contractual Services - Other	-					-
18	640	Rents	2,200					2,200
19	650	Transportation Expenses	6,073					6,073
20	567	Insurance - General Liability	5,165					5,165
21	659	Insurance - Health and Life	3,170					3,170
22	665	Regulatory Commission Expenses	63					63
23	670	Bad Debt Expense	-				9,230	9,230
24	675	Miscellaneous Expenses	-					-
25	403	Depreciation Expenses	54,560				94	54,654
26	408	Taxes Other Than Income	1,229					1,229
27	408.11	Property Taxes	7,555			4,931		12,486
28	409	Income Taxes	-				4,610	4,610
29	427.4	Interest Expense - Customer Deposits	-				306	306
30		Total Operating Expenses	\$ 209,953					\$ 229,124
31		OPERATING INCOME/(LOSS)	\$ 32,298					\$ 25,965
32		Other Income/(Expense)						
33		Interest and Dividend Income	\$ 6					\$ 6
34	419	Non-Utility Income	-					-
35	421	Interest Expense	(2,023)					(1,717)
36	427	Extraordinary Deductions	(87,582)					-
37	437	Total Other Income/(Expense)	\$ (89,599)					\$ (1,711)
38		NET INCOME/(LOSS)	\$ (57,301)					\$ 24,254

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2a
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENTS a.1 AND a.2 TO TEST YEAR REVENUE

Line	Description	Amount
1	End of year balance sheet corrections.	\$ 11,345
2	Plant adjustments and retirements from previous rate case.	1,879
3	Total Adjustment a.1 to Metered Water Revenue	<u>\$ 13,223</u>
4		
5	Removing amount billed to Naco Water's office.	(387)
6	Total Adjustment a.2 to Metered Water Revenue	<u>\$ (387)</u>

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2b
Title: Income Statement Proforma
Adjustments

OPERATING INCOME ADJUSTMENT #8 - PROPERTY TAX EXPENSE GRFC COMPONENT

LINE NO.	DESCRIPTION	(A)	(B)
		Test Year Adjusted	At Required Revenue
1	Adjusted Test Year Revenues	\$ 255,089	\$ 255,089
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	510,177	510,177
4	Adjusted Test Year Revenues	255,089	
5	Required Revenue		305,172
6	Subtotal (Line 4 + Line 5)	765,266	815,349
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	255,089	271,783
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	510,177	543,566
11	Plus: 10% of CWIP	47	47
12	Less: Net Book Value of Licensed Vehicles	340	340
13	Full Cash Value (Line 10 + Line 11 - Line 12)	509,884	543,273
14	Assessment Ratio	20.0%	20.0%
15	Assessment Value (Line 13 * Line 14)	101,977	108,655
16	Composite Property Tax Rate	12.2439%	12.2439%
17	Test Year Adjusted Property Tax Expense (Line 15 * Line 16)	\$ 12,486	
18	Actual Property Tax Paid	\$ 7,555	
19	Test Year Adjustment (Line 17 - Line 18)	\$ 4,931	
20	Property Tax on Required Revenue (Line 15 * Line 16)		\$ 13,304
21	Test Year Adjusted Property Tax Expense (Line 17)		\$ 12,486
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 818
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 818
24	Increase in Revenue Requirement		\$ 50,083
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		1.63253%

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2c
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT c TO TEST YEAR EXPENSES

Reclssifies Interest on Customer Deposits as an Operating Expense			
Line	Description	Amount	
1	Test Year Interest Paid on Customer Deposits	\$	306

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2d
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT d TO RATE CASE EXPENSES

Line	Description	Amount
1	Estimated Rate Case Expenses	\$ 27,690
2	Amortization Period in years	<u>3</u>
3	Annual expense recovery	\$ 9,230
4	Subtract Actual Test Year Rate Case Expenses	<u>-</u>
5	Total Adjustment d	<u><u>\$ 9,230</u></u>

Naco Water Company

Schedule C-2e

Page 1 of 2

Docket No. W-02860A-13-0399

Title: Income Statement Proforma

Test Year Ended December 31, 2012

Adjustments

CALCULATION OF ADJUSTMENT e TO INCOME TAX EXPENSES

Line	Description			
1	Test Year			
2	Operating Income/(Loss) Before Taxes	\$	30,574	
3	Add Interest Income		6	
4	Less Estimated Interest Expense		<u>(1,717)</u>	
5	Taxable Income	\$	28,864	
6	Effective Combined Federal and State Income Tax Rate		<u>15.97%</u>	
7	Total Income Tax Expense			\$ 4,610
8	Test Year income Tax Expense			<u>\$ -</u>
9	Total Adjustment e to Test Year Income Taxes			<u>\$ 4,610</u>
10				
11	At Proposed Rates			
12	Operating Income/(Loss) Before Taxes	\$	79,840	
13	Add Interest Income		6	
14	Less Estimated Interest Expense		<u>(1,717)</u>	
15	Taxable Income	\$	78,129	
16	Effective Combined Federal and State Income Tax Rate		<u>15.97%</u>	
17	Total Income Tax Expense			\$ 12,477
18	Adjusted Test Year income Tax Expense			<u>\$ 4,610</u>
19	Total Adjustment to Income Taxes at Proposed Rates			<u>\$ 7,868</u>

Naco Water Company

Schedule C-2e

Page 2 of 2

Docket No. W-02860A-13-0399

Title: Income Statement Proforma

Test Year Ended December 31, 2012

Adjustments

**CALCULATION OF ALTERNATIVE INCOME TAX EXPENSE BASED ON
ASSUMPTION THAT NACO IS A C CORPORATION**

This calculation is required by the February 8, 2013 Policy Statement approved in Decision 73739

Line

1	Operating Income Before Income Taxes (Schedule C-1 line 33 + 29)	\$ 79,840.13
2	Arizona Corporate Income Tax Rate	<u>6.97%</u>
3	Arizona Corporate Income Tax (Line 2 X Line 3)	\$ 5,563
4		
5	Federal Taxable Income (Line 1 - Line 3)	\$ 74,277
6	Federal Corporate Income Tax Rate	<u>\$7,500 + 25% of income above \$50,000</u>
7	Federal Corporate Income Tax (Apply formula on Line 6 to Line 5)	\$ 26,069
8		
9	Total Income Tax (State and Federal) (Line 3 + Line 7)	\$ 31,632

The amount calculated here is greater than the amount calculated on page 1 of Schedule C-2e (\$12,477) so the \$12,477 amount will be used.

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2f
Title: Income Statement Proforma
Adjustments

DETAIL OF PROPOSED ADJSUTMENT f to DEPRECIATION EXPENSE

This adjustment eliminates the half year convention for plant added during the test year.

Line	Account Number	Description	Plant @ End of Test Year 31-Dec-12	Proposed Depreciation Rate	Ref	Proposed Depreciation Expense
1	301	Organization	\$ 198	0.00%		\$ -
2	303	Land & Land Rights	4,345	0.00%		\$ -
3	304	Structures & Improvements	5,918	3.33%		\$ 197.07
4	307	Wells & Springs	128,561	3.33%		\$ 4,281.08
5	311	Pumping Equipment 1	194,487	12.50%	1	\$ 7,741.00
6	320	Water Treatment Equipment	1,824	3.33%		\$ 60.74
7	330	Distribution Reservoirs & Standpipes	137,771	2.22%		\$ 3,058.52
8	331	Transmission & Distribution Mains	1,498,997	2.00%		29,980
9	333	Services	136,839	3.33%		4,557
10	334	Meters & Meter Installations 2	46,800	8.33%	2	1,561
11	335	Hydrants	34,717	2.00%		694
12	339	Other Plant and Misc Equipment	-	6.67%		-
13	340	Office Furniture & Equipment	9,202	6.67%		-
14	340.1	Computers and Software	-	33.33%		-
15	341	Transportation Equipment	20,298	20.00%		4,060
16	343	Tools, Shop, and Garage Equipment	128	5.00%		6
17	345	Power Operated Equipment	2,818	5.00%		-
18	346	Communication Equipment	-	10.00%		-
19	347	Miscellaneous Equipment	-	10.00%		-
20	348	Other Tangible Plant	-	10.00%		-
21		Totals	\$ 2,222,903			\$ 56,196
22				Amortization of CIAC		\$ (1,541)
23				Adjusted Depreciation Expense		\$ 54,655
24				Test Year Depreciation Expense		54,561
25	Ref			Total Adjustment f		\$ 94
26	1	\$132,559 of the total is fully depreciated.				
27	2	\$28,060 of the total is fully depreciated.				

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-2g
Title: Income Statement Proforma
Adjustments

DETAIL OF ADJUSTMENT g TO NET INCOME

Line	Description	Amount
1	Adjustment for prior year accounting issues including balance sheet items and depreciaiton.	<u>87,582</u>

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule C-3
Title: Computation of Gross Revenue
Conversion Factor

Explanation:
Schedule showing incremental taxes on gross revenues and
the development of a gross revenue conversion factor.

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Revenue	100.0000%			
2	Uncollectible Factor (Line 11)	0.0000%			
3	Revenues (L1 - L2)	100.0000%			
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	17.3418%			
5	Subtotal (L3 - L4)	82.6582%			
6	Revenue Conversion Factor (L1 / L5)	1.209801			
<u>Calculation of Uncollectible Factor:</u>					
7	Unity	100.0000%			
8	Combined Federal and State Tax Rate (Line 17)	15.9700%			
9	One Minus Combined Income Tax Rate (L7 - L8)	84.0300%			
10	Uncollectible Rate	0.0000%			
11	Uncollectible Factor (L9 * L10)	0.0000%			
<u>Effective Combined Tax Rate of LLC's Owner:</u>					
12					
13					
14					
15					
16					
17	Combined Federal and State Income Tax Rate (See Testimony)	15.9700%			
<u>Calculation of Effective Property Tax Factor</u>					
18	Unity	100.0000%			
19	Combined Federal and State Tax Rate (Line 17)	15.9700%			
20	One Minus Combined Income Tax Rate (L18 - L19)	84.0300%			
21	Property Tax Factor (Schedule C-2b)	1.6325%			
22	Effective Property Tax Factor (L 21 * L 22)	1.3718%			
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		17.3418%		
24	Required Operating Income (Schedule A-1)	\$ 67,363			
25	Adjusted Test Year Operating Income (Loss) (Schedule C-1)	\$ 25,965			
26	Required Increase in Operating Income (L24 - L25)		\$ 41,398		
27	Income Taxes on Recommended Revenue (Schedule C2e)	\$ 12,477			
28	Income Taxes on Test Year Revenue (Schedule C2e)	\$ 4,610			
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 7,868		
30	Recommended Revenue Requirement	\$ 305,172			
31	Uncollectible Rate (Line 10)	0.0000%			
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -			
33	Adjusted Test Year Uncollectible Expense	\$ -			
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -		
35	Property Tax with Recommended Revenue (Schedule C-2b)	\$ 13,304			
36	Property Tax on Test Year Revenue (Schedule C-2b)	\$ 12,486			
37	Increase in Property Tax Due to Increase in Revenue (Schedule C-2b)		\$ 818		
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 50,083		

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule D-1
Title: Summary Cost of Capital

Explanation:
Schedule showing elements of capital structure
and the related cost.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Line	Invested Capital	End of Test Year				End of Projected Year			
		Amount	%	Cost Rate (e)	Composite Cost %	Amount	%	Cost Rate (e)	Composite Cost %
1	Long-Term Debt (a)	\$ 1,208,258	72.31%	0.13%	0.09%	\$ 1,208,258	72.31%	0.13%	0.09%
2	Common Equity (c)	462,570	27.69%	15.80%	4.37%	462,570	27.69%	15.80%	4.37%
3	Totals	\$ 1,670,828	100.00%		4.47%	\$ 1,670,828	100.00%		4.47%

Supporting Schedules:

- (a) D-2
- (b) D-3
- (c) D-4
- (d) E-1

Recap Schedules:

- (e) A-3

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-1
Title: Comparative Balance
Sheet

Explanation:
Schedule showing comparative balance sheets at the end of the
test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Line	Acct #	ASSETS	Test Year At 31-Dec-12	Prior Year 31-Dec-11	Prior Year 31-Dec-10
1		Property, Plant & Equipment: (a)			
2	101	Utility Plant In Service	\$ 2,222,903	\$ 2,222,376	\$ 1,555,023
3	103	Property Held for Future Use			689,026
4	105	Construction Work in Process	378,346	-	-
5	108	Accumulated Depreciation	(670,808)	(614,707)	(559,308)
6		Total Property Plant & Equipment	\$ 1,930,441	\$ 1,607,669	\$ 1,684,741
7		Current Assts:			
8	131	Cash	\$ 209,941	\$ 9,165	\$ 5,116
9	134	Working Funds	\$ -	\$ 166,943	\$ 152,055
10	135	Temporary Cash Investments	-	-	-
11	141	Customer Accounts Receivable	20,179	35,194	91,226
12	146	Notes/Receivables from Associated Companies	-	-	-
13	151	Plant Material and Supplies	-	-	-
14	162	Prepayments	-	-	-
15	174	Miscellaneous Current and Accrued Assets	-	(1,663)	2,414
16		Total Current Assets	\$ 230,120	\$ 209,639	\$ 250,811
17		TOTAL ASSETS	\$ 2,160,561	\$ 1,817,308	\$ 1,935,552
18		LIABILITIES and CAPITAL			
19		Capitalization: (b)			
20	201	Common Stock Issued	\$ -	\$ -	\$ -
21	211	Paid in Capital in Excess of Par Value	-	-	-
22	215	Retained Earnings	302,746	-	-
23	218	Proprietary Capital	159,824	408,464	491,528
24		Total Capital	\$ 462,570	\$ 408,464	\$ 491,528
25		Current Liabilities:			
26	231	Accounts Payable	\$ 141,197	\$ 57,007	\$ 85,023
27	232	Notes Payable (Current Portion)	-	-	-
28	234	Notes/Accounts Payable to Associated Companies	-	-	-
29	235	Customer Deposits	8,950	17,893	17,517
30	236	Accrued Taxes	1,474	3,884	3,472
31	237	Accrued Interest	-	-	-
32	241	Miscellaneous Current and Accrued Liabilities	779	19,000	19,000
33		Total Current Liabilities	\$ 152,400	\$ 97,784	\$ 125,012
34	224	Long-Term Debt (Over 12 Months)	\$ 1,208,258	\$ 1,287,375	\$ 1,383,673
35		Deferred Credits			
36	252	Advances In Aid Of Construction	\$ 20,753	\$ 4,050	\$ 2,500
37	255	Accumulated Deferred Investment Tax Credits	-	-	-
38	271	Contributions In Aid Of Construction	342,574	40,133	40,133
39	272	Less: Amortization of Contributions	(25,992)	(20,498)	(19,465)
40	281	Accumulated Deferred Income Tax	-	-	-
41		Total Deferred Credits	\$ 337,335	\$ 23,685	\$ 23,168
42		Total Liabilities	\$ 1,697,993	\$ 1,408,844	\$ 1,531,853
43		TOTAL LIABILITIES and CAPITAL	\$ 2,160,563	\$ 1,817,308	\$ 2,023,381

Supporting Schedules:
(a) E-5

Recap Schedules:
(b) A-3

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-2
Title: Comparative Income
Statements

Explanation:
Schedule showing comparative income statements for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Acct #		Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
		Revenues: (a)			
1	461	Metered Water Revenue	\$ 235,327	\$ 256,357	\$ 260,939
2	460	Unmetered Water Revenue		-	-
3	474	Other Water Revenue	6,924	3,450	5,490
4		Total Revenues	\$ 242,251	\$ 259,807	\$ 266,429
		Operating Expenses (a)			
5		Operating Expenses (a)			
6	601	Salaries and Wages	\$ 16,712	\$ 17,118	\$ 18,616
7	604	Employee Pensions and Benefits	-	-	-
8	610	Purchased Water	-	-	-
9	615	Purchased Power	8,999	10,062	10,610
10	618	Chemicals	684	1,180	1,132
11	620	Materials & Supplies	8,127	4,911	4,629
12	621	Office Supplies and Expense	33,446	6,772	6,654
13	630	Outside Services	58,374	51,453	84,069
14	631	Contractual Services - Professional	-	-	-
15	635	Contractual Services - Testing	3,596	3,617	5,673
16	636	Contractual Services - Other	-	-	-
17	640	Rents	2,200	2,600	2,000
18	650	Transportation Expenses	6,073	8,245	7,329
19	567	Insurance - General Liability	5,165	4,587	2,646
	659	Insurance - Health and Life	3,170	2,602	1,944
20	665	Regulatory Commission Expenses	63	-	-
21	670	Bad Debt Expense	-	-	-
22	675	Miscellaneous Expenses	-	39,304	-
23	403	Depreciation Expenses	54,560	47,789	35,583
24	408	Taxes Other Than Income	1,229	2,490	2,741
25	408.11	Property Taxes	7,555	16,657	15,167
26	409	Income Taxes	-	(1,274)	4,205
27	427.4	Interest Expense - Customer Deposits	-	-	-
28		Total Operating Expenses	\$ 209,953	\$ 218,113	\$ 202,998
28		OPERATING INCOME/(LOSS)	\$ 32,298	\$ 41,694	\$ 63,431
29		Other Income/(Expense)			
30	419	Interest and Dividend Income	\$ 6	\$ 6	\$ 8
31	421	Non-Utility Income	-	912	2,960
32	426	Interest Expense	(2,023)	(31,270)	(33,385)
33	427	Extraordinary Deductions	(87,582)	-	-
34		Total Other Income/(Expense)	\$ (89,599)	\$ (30,352)	\$ (30,417)
35		NET INCOME/(LOSS)	\$ (57,301)	\$ 11,342	\$ 33,014

Supporting Schedules:
(a) E-6

Recap Schedules:
A-2

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-5
Title: Detail of Utility Plant

Explanation:
Schedule showing utility plant balance, by detailed account number, at the end of the test year and the end of the prior fiscal year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Account Number	Description	End of Prior Year at 31-Dec-11	Net Additions	End of Test Year at 31-Dec-12
1	302	Franchises	\$ 198	\$ -	\$ 198
2	303	Land & Land Rights	4,345	-	4,345
3	304	Structures & Improvements	5,918	-	5,918
4	307	Wells & Springs	128,561	-	128,561
5	311	Pumping Equipment	194,087	400	194,487
6	320	Water Treatment Equipment	1,824	-	1,824
7	320.1	Water Treatment Plants	-	-	-
8	320.2	Solution Chemical Feeders	-	-	-
9	330	Distribution Reservoirs & Standpipes	137,771	-	137,771
10	330.1	Storage Tanks	-	-	-
11	330.2	Pressure Tanks.	-	-	-
12	331	Transmission & Distribution Mains	1,501,072	(2,075)	1,498,997
13	333	Services	136,839	-	136,839
14	334	Meters & Meter Installations	44,598	2,202	46,800
15	335	Hydrants	34,717	-	34,717
16	339	Other Plant and Misc Equipment	-	-	-
17	340	Office Furniture & Equipment	9,202	-	9,202
18	340.1	Computers and Software	-	-	-
19	341	Transportation Equipment	20,298	-	20,298
20	343	Tools, Shop, and Garage Equipment	128	-	128
21	345	Power Operated Equipment	2,818	-	2,818
22	348	Other Tangible Plant	-	-	-
23		Total Plant In Service	\$ 2,222,376	\$ 527	\$ 2,222,903
24	108	Accumulated Depreciation	(614,707)	(56,101)	(670,808)
25		Net Plant In Service	\$ 1,607,669	\$ (55,574)	\$ 1,552,095
26	103	Property Held for Future Use	-	-	-
27	105	Construction Work in Process	-	378,346	378,346
28		Total Net Plant	\$ 1,607,669	\$ 322,772	\$ 1,930,441

Supporting Schedules:

Recap Schedules:
E-1 A-4

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-7
Title: Operating Statistics

Explanation:
Schedule showing key operating statistics in comparative format,
for the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

Line	Water Statistics:	Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
1	Gallons Sold - By Class of Service:			
2	Residential	16,705,751	17,891,193	18,303,212
3	Commercial	2,837,460	3,038,807	3,108,788
4	Average Number of Customers - By Class of Service:			
5	Residential	294	289	295
6	Commercial	24	24	24
7	Average Annual Gallons Per Residential Customer	56,822	61,885	62,119
8	Average Annual Revenue Per Residential Customer	\$ 718	\$ 725.89	\$ 727.49
9	Pumping Cost Per 1,000 Gallons	\$ 0.46	\$ 0.48	\$ 0.50

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-8
Title: Taxes Charged to
Operations

Explanation:
 Schedule showing all significant taxes charged to operations for
 the test year and the 2 fiscal years ended prior to the test year.

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specl Reqmt ☐

Line	Description	Test Year Ended 31-Dec-12	Prior Year Ended 31-Dec-11	Prior Year Ended 31-Dec-10
1	Federal Taxes:			
2	Income	\$ -	\$ -	\$ -
3	Payroll	1,166	1,235	1,381
4	Total Federal Taxes	\$ 1,166	\$ 1,235	\$ 1,381
5	State Taxes:			
6	Income	\$ -	\$ -	\$ -
7	Payroll	63	1	1
8	Total State Taxes	\$ 63	\$ 1	\$ 1
9	Local Taxes:			
10	Property	\$ 7,555	\$ 16,657	\$ 15,167
11	Total Local Taxes	7,555	16,657	15,167
12	Total Taxes	\$ 8,784	\$ 17,894	\$ 16,549

NOTE: For combination utilities, the above should be presented in total and by department.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule E-9
Title: Notes to Financial
Statements

Explanation:
Disclosure of important facts pertaining to the understanding
of the financial statements.

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Specd Reqmt	<input type="checkbox"/>

Disclosures should include, but not be limited to the following:

- 1 Accounting Method.
Accural basis using the NARUC USoA.
- 2 Depreciation lives and methods employed by major classification of utility property.

Proposed depreciation rates are depicted on Schedule C-2f and were taken from ACC Engineering Staff Memo regarding their recommended rates for depreciation.

- 3 Income tax treatment - normalization or flow through.
Normilization per the February 8, 2013 Policy Statement approved in Decision 73739.
- 4 Interest rate used to charge interest during construction, if applicable.
Not Applicable.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule F-1 AMENDED
Title: Projected Income Statements -
Present and Proposed Rates

Explanation:
Schedule showing an income statement for the projected year,
compared with actual test year results, at present and proposed
rates.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line		Projected Year		
		Actual Test Year Ended (a) 31-Dec-12	At Present Rates Year Ended (b) 31-Dec-13	At Proposed Rates Year Ended (b) 31-Dec-13
	Operating Revenues:			
1	461 Metered Water Revenue	\$ 235,327	\$ 248,165	\$ 298,248
2	460 Unmetered Water Revenue	-	-	-
3	474 Other Water Revenue	6,924	6,924	6,924
4	Total Revenues	\$ 242,251	\$ 255,089	\$ 305,172
	Operating Expenses (a)			
5	601 Salaries and Wages	\$ 16,712	\$ 16,712	\$ 16,712
7	604 Employee Pensions and Benefits	-	-	-
8	610 Purchased Water	-	-	-
9	615 Purchased Power	8,999	8,999	8,999
10	618 Chemicals	684	684	684
11	620 Materials & Supplies	8,127	8,127	8,127
12	621 Office Supplies and Expense	33,446	33,446	33,446
13	630 Outside Services	58,374	58,374	58,374
14	631 Contractual Services - Professional	-	-	-
15	635 Contractual Services - Testing	3,596	3,596	3,596
16	636 Contractual Services - Other	-	-	-
17	640 Rents	2,200	2,200	2,200
18	650 Transportation Expenses	6,073	6,073	6,073
19	567 Insurance - General Liability	5,165	5,165	5,165
20	659 Insurance - Health and Life	3,170	3,170	3,170
21	665 Regulatory Commission Expenses	63	63	63
22	666 Regulatory Commission Expense Rate Case	-	-	9,230
23	670 Bad Debt Expense	-	-	-
24	675 Miscellaneous Expenses	-	-	-
25	403 Depreciation Expenses	54,560	54,654	54,654
26	408 Taxes Other Than Income	1,229	1,229	1,229
27	408.1 Property Taxes	7,555	12,486	13,304
28	409 Income Taxes	-	4,610	12,477
29	427.4 Interest Expense - Customer Deposits	-	-	306
30	Total Operating Expenses	\$ 209,953	\$ 219,587	\$ 237,809
31	OPERATING INCOME/(LOSS)	\$ 32,298	\$ 35,501	\$ 67,363
32	Other Income/(Expense)		\$ -	\$ -
33	419 Interest and Dividend Income	6	6	6
34	421 Non-Utility Income	-	-	-
35	426 Interest Expense	(2,023)	(1,717)	(1,717)
36	427 Extraordinary Deductions	(87,582)	(1,711)	(1,711)
37	Total Other Income/(Expense)	\$ (89,599)	\$ (3,421)	\$ (3,421)
38	NET INCOME/(LOSS)	\$ (57,301)	\$ 32,080	\$ 63,942
39				
40	Earnings per share of average			
41	Common Stock Outstanding*	NA	NA	NA
42	% Return on Common Equity	-12.4%	6.9%	13.8%

* Naco is an LLC and thus does not have Commons Stock Outstanding.

Supporting Schedules:
(a) E-2

Recap Schedules:
(b) A-2

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule F-3
Title: Projected Construction
Requirements

Explanation:
Schedule showing projected annual construction requirements, by property classification, for 1 to 3 years subsequent to the test year compared with the test year.

Required for: All Utilities
Class A
Class B
Class C
Class D
Spec'l Reqmt

<input type="checkbox"/>	
<input checked="" type="checkbox"/>	3 yrs projected
<input checked="" type="checkbox"/>	
<input checked="" type="checkbox"/>	1 yrs projected
<input checked="" type="checkbox"/>	
<input type="checkbox"/>	

Line	Property Classification	Actual Test Year Ended 12/31/2012	End of Projected Year 1
1	Production Plant	\$ 400	\$ 352,240
2	Transmission Plant	(2,075)	686,807
3	Other Plant	2,202	-
4	Total Plant	\$ 527	\$ 1,039,047

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule F-4
Title: Assumptions Used in
Developing Projection

Explanation:
Documentation of important assumptions used in preparing
forecasts and projections

Required for:	All Utilities	<input checked="" type="checkbox"/>
	Class A	<input type="checkbox"/>
	Class B	<input type="checkbox"/>
	Class C	<input type="checkbox"/>
	Class D	<input type="checkbox"/>
	Speci Reqmt	<input type="checkbox"/>

Important assumptions used in preparing projections should be explained.

Areas covered should include:

1 Customer growth

Projections were prepared under the assumption of zero customer growth.

2 Growth in consumption and customer demand

Consumer demand has declined each year for the past three years. However, for purposes of preparing projections consumption is assumed to be stable. This is a simplifying assumption meant to reduce the complexity of the application.

3 Changes in expenses

The Company believes the 2012 Test Year, with the proforma adjustments included in this application, accurately depict expense levels for the utility going forward (other than general inflationary effects.)

4 Construction requirements including production reserves and changes in plant capacity

Significant plant additions as detailed in Schedule F-3 will come on line in the upcoming months. These plant additions are the result of Freeport-McMoRan's agreement to replace a contaminated well. Replacement of the well necessitates building transmission plant in order to access the new well.

5 Capital structure changes

The amount of debt and equity is not expected to change significantly. The plant additions associated with the Freeport settlement will be funded with CIAC.

6 Financing costs, interest rates

Naco has two loans with WIFA: Loan Number 920124-08 with a balance of \$993,990 at year end 2012 and interest rate of 0% and WIFA Administrative Fees of \$20,266 in 2012 and \$26,560 in 2013. Loan Number 922022-99 with a balance of 208,956 at year end 2012 and an interest rate of 7.35% and WIFA Administrative fees of \$7,046 in 2012 and \$5,816 in 2013.

Supporting Schedules:

Recap Schedules:

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-1
**Title: Summary of Revenues by Customer
Classification - Present and Proposed Rates**

Explanation:
Schedule comparing revenues by customer classification for
the Test Year, at present and proposed rates.

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Line	Customer Classification	Adjusted Present Rates	Proposed Rates	Proposed Increase (b)	
				Amount	%
	<i>Residential</i>				
1	5/8 by 3/4-inch	\$ 208,074	\$ 249,933	\$ 41,859	20.12%
2	3/4-inch	629	750	121	19.27%
3	1-inch	750	858	108	14.46%
4	<i>Total Residential</i>	\$ 209,453	\$ 251,542	\$ 42,089	20.09%
5	<i>Commercial</i>				
6	5/8 by 3/4-inch	\$ 10,544	\$ 12,417	\$ 1,874	17.77%
7	1-inch	5,939	7,021	1,082	18.23%
8	1 1/2-inch	1,351	1,589	238	17.61%
9	2-inch	20,335	24,848	4,512	22.19%
10	3-inch	534	850	316	59.22%
11	<i>Total Commercial</i>	\$ 38,703	\$ 46,725	\$ 8,022	20.73%
12	Hydrant Sales	-	-	-	0.00%
13	Total Metered Water Revenue	\$ 248,156	\$ 298,267	\$ 50,111	20.19%
14	Other Revenue	6,924	6,924	-	0.00%
15	<i>Total Revenue</i>	\$ 255,080	\$ 305,191	\$ 50,111	19.65%
16					
17					

Note: For combination utilities, above information should be presented in total and by department.

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-3
Change in Representative Rate Schedules
Page 1 of 2 AMENDED

Explanation:
Schedule comparing present rate schedule to proposed
rate schedule.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Speci Reqmt ☐

Monthly Usage Charge

	Present Rate	Proposed Rate	% Change
5/8th by 3/4" Meters	32.16	36.81	14%
3/4" Meters	32.16	36.81	14%
1" Meters	62.50	71.54	14%
1.5" Meters	82.50	94.43	14%
2" Meters	96.20	110.11	14%
3" Meters	180.00	206.03	14%
4" Meters	285.00	326.21	14%
6" Meters	600.00	686.75	14%

Commodity Charges

	Present Rates		Proposed Rates		% Change
	Tier Breaks	Rate	Tier Breaks	Rate	
5/8th by 3/4" Meters	1 to 3,000	4.54	1 to 3,000	5.72	26%
(Residential)	3001 to 9,000	6.82	3001 to 9,000	8.59	26%
	over 9,000	8.19	over 9,000	10.32	26%
3/4" Meters	1 to 3,000	4.54	1 to 3,000	5.72	26%
(Residential)	3001 to 9,000	6.82	3001 to 9,000	8.59	26%
	over 9,000	8.19	over 9,000	10.32	26%
5/8th by 3/4" Meters	1 to 9,000	6.82	1 to 3,000	5.72	-16% *
(Commercial)	over 9,000	8.19	3001 to 9,000	8.59	5% *
			over 9,000	10.32	26% *
3/4" Meters	1 to 9,000	6.82	1 to 3,000	5.72	-16% *
(Commercial)	over 9,000	8.19	3001 to 9,000	8.59	5% *
			over 9,000	10.32	26% *
1" Meters	1 to 18,000	6.82	1 to 30,000	8.59	26% *
(Residential & Commercial)	over 18,000	8.19	over 30,000	10.32	26% *
1.5" Meters	1 to 30,000	6.82	1 to 30,000	8.59	26%
(Residential & Commercial)	over 30,000	8.19	over 30,000	10.32	26%
2" Meters	1 to 35,000	6.82	1 to 30,000	8.59	26% *
(Residential & Commercial)	over 35,000	8.19	over 30,000	10.32	26% *
3" Meters	1 to 93,000	6.82	1 to 30,000	8.59	26% *
(Residential & Commercial)	over 93,000	8.19	over 30,000	10.32	26% *
4" Meters	1 to 150,000	6.82	1 to 30,000	8.59	26% *
(Residential & Commercial)	over 150,000	8.19	over 30,000	10.32	26% *
6" Meters	1 to 300,000	6.82	1 to 30,000	8.59	26% *
(Residential & Commercial)	over 300,000	8.19	over 30,000	10.32	26% *

*Note: For meter sizes where the proposed Tier Breaks are changing the percent change does not reflect the % change across all usage levels. It is simply the percent change in the rate.

Naco Water Company
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Schedule H-3
Change in Representative Rate Schedules
Page 2 of 2 AMENDED

Service Line and Meter Installation Charges					
	Present Rate	Proposed Rate		% Change	
		Service Line	Meter Installation	Total	
5/8th by 3/4" Meters	450.00	490.00	131.50	621.50	38%
3/4" Meters	475.00	490.00	232.50	722.50	52%
1" Meters	550.00	547.00	293.00	840.00	53%
1.5" Meters	775.00	609.50	505.50	1,115.00	44%
2" Meters	1,375.00	927.00	1,030.50	1,957.50	42%
3" Meters	1,975.00	1,171.00	1,661.50	2,832.50	43%
4" Meters	3,040.00	1,661.00	2,646.50	4,307.50	42%
6" Meters	5,635.00	2,478.50	5,025.50	7,504.00	33%

Service Charges			
	Present Rate	Proposed Rate	% Change
Establishment	\$ 30.00	\$ 30.00	0%
Establishment (After Hours)	40.00	Eliminate	NA
Reconnection (Delinquent)	30.00	30.00	0%
Reconnection (After Hours)	40.00	Eliminate	NA
After Hours Service Charge	NA	35.00	NA
Meter Test (If Correct)	30.00	30.00	0%
Deposit	*	*	0%
Deposit Interest	*	*	0%
Reestablishment (Within 12 months)	**	**	0%
Reestablishment (After Hours)	**	Eliminate	NA
NSF Check	20.00	20.00	0%
Deferred Payment per month	1.5% of	1.5% of	
	Outstanding Balance	Outstanding Balar	0%
Meter Reread (if correct)	15.0	15.0	0%
Moving Customer Meter at			
Customer request per rule			
R14-2-405B	Cost	Cost	0%

*Per Commission Rule AAC R-14-2-403(B)

**Months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, use, and franchise tax. Per Commission Rules 14-2-409(D)(5).

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 1 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.
5/8" by 3/4" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4000	52.60	62.56	19%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	32.16	36.81	14%
1,000	36.70	42.53	16%
2,000	41.24	48.25	17%
3,000	45.78	53.97	18%
4,000	52.60	62.56	19%
5,000	59.42	71.16	20%
6,000	66.24	79.75	20%
7,000	73.06	88.34	21%
8,000	79.88	96.93	21%
9,000	86.70	105.53	22%
10,000	94.89	115.84	22%
15,000	135.84	167.44	23%
20,000	176.79	219.03	24%
25,000	217.74	270.62	24%
50,000	422.49	528.59	25%
75,000	627.24	786.56	25%
100,000	831.99	1,044.53	26%

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Schedule H-4
Typical Bill Analysis
Page 2 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

3/4" Meters

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	3030.00	45.98	54.23	19%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	32.16	36.81	14%
1,000	36.70	42.53	16%
2,000	41.24	48.25	17%
3,000	45.78	53.97	18%
4,000	52.60	62.56	19%
5,000	59.42	71.16	20%
6,000	66.24	79.75	20%
7,000	73.06	88.34	21%
8,000	79.88	96.93	21%
9,000	86.70	105.53	22%
10,000	94.89	115.84	22%
15,000	135.84	167.44	23%
20,000	176.79	219.03	24%
25,000	217.74	270.62	24%
50,000	422.49	528.59	25%
75,000	627.24	786.56	25%
100,000	831.99	1,044.53	26%

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 3 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.
1" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4290.00	91.76	108.40	18%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	62.50	71.54	14%
1,000	69.32	80.13	16%
2,000	76.14	88.72	17%
3,000	82.96	97.31	17%
4,000	89.78	105.91	18%
5,000	96.60	114.50	19%
6,000	103.42	123.09	19%
7,000	110.24	131.69	19%
8,000	117.06	140.28	20%
9,000	123.88	148.87	20%
10,000	130.70	157.46	20%
15,000	164.80	200.43	22%
20,000	201.64	243.39	21%
25,000	242.59	286.35	18%
50,000	447.34	449.76	1%
75,000	652.09	707.73	9%
100,000	856.84	965.70	13%

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 4 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

1.5" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	110.46	129.66	17%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	82.50	94.43	14%
1,000	89.32	103.02	15%
2,000	96.14	111.61	16%
3,000	102.96	120.21	17%
4,000	109.78	128.80	17%
5,000	116.60	137.39	18%
6,000	123.42	145.98	18%
7,000	130.24	154.58	19%
8,000	137.06	163.17	19%
9,000	143.88	171.76	19%
10,000	150.70	180.35	20%
15,000	184.80	223.32	21%
20,000	218.90	266.28	22%
25,000	253.00	309.24	22%
50,000	450.90	472.65	5%
75,000	655.65	730.62	11%
100,000	860.40	988.59	15%

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 5 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.
2" Meters

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	124.16	145.34	17%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	96.20	110.11	14%
1,000	103.02	118.70	15%
2,000	109.84	127.29	16%
3,000	116.66	135.89	16%
4,000	123.48	144.48	17%
5,000	130.30	153.07	17%
6,000	137.12	161.67	18%
7,000	143.94	170.26	18%
8,000	150.76	178.85	19%
9,000	157.58	187.44	19%
10,000	164.40	196.04	19%
15,000	198.50	239.00	20%
20,000	232.60	281.96	21%
25,000	266.70	324.92	22%
50,000	457.75	488.34	7%
75,000	662.50	746.30	13%
100,000	867.25	1,004.27	16%

Naco Water Company
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Schedule H-4
Typical Bill Analysis
Page 6 of 6

Explanation:
Schedule(s) comparing typical customer bills at
varying consumption levels at present and proposed rates.

2" Meters

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Spec'l Reqmt ☐

	Gallons	Present Bill	Proposed Bill	Percent Increase
Median Usage	4100.00	207.96	241.26	16%

Monthly Consumption	Present Bill	Proposed Bill	Percent Increase
-	180.00	206.03	14%
1,000	186.82	214.62	15%
2,000	193.64	223.21	15%
3,000	200.46	231.80	16%
4,000	207.28	240.40	16%
5,000	214.10	248.99	16%
6,000	220.92	257.58	17%
7,000	227.74	266.17	17%
8,000	234.56	274.77	17%
9,000	241.38	283.36	17%
10,000	248.20	291.95	18%
15,000	282.30	334.92	19%
20,000	316.40	377.88	19%
25,000	350.50	420.84	20%
50,000	521.00	584.25	12%
75,000	691.50	842.22	22%
100,000	871.59	1,100.19	26%

Naco Water Company
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Schedule H-5
Page 1 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4-Inch Meter - RESIDENTIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Spec'l Reqm	<input type="checkbox"/>

Line Number			Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	170	0	170	4.92%	0	0.00%
2	1	1000	432	216,216	602	17.42%	216,216	1.30%
3	1001	2000	369	553,685	971	28.10%	769,901	4.64%
4	2001	3000	354	885,177	1,325	38.34%	1,655,078	9.98%
5	3001	4000	407	1,424,704	1,732	50.12%	3,079,781	18.57%
6	4001	5000	410	1,845,205	2,142	61.98%	4,924,986	29.69%
7	5001	6000	308	1,694,154	2,450	70.89%	6,619,140	39.91%
8	6001	7000	251	1,831,826	2,701	78.15%	8,250,766	49.74%
9	7001	8000	201	1,507,601	2,902	83.97%	9,758,366	58.83%
10	8001	9000	162	1,377,081	3,064	88.66%	11,135,447	67.14%
11	9001	10000	100	950,050	3,164	91.55%	12,085,497	72.87%
12	10001	12000	106	1,166,053	3,270	94.62%	13,251,550	79.90%
13	12001	14000	60	780,030	3,330	96.35%	14,031,580	84.60%
14	14001	16000	45	675,023	3,375	97.66%	14,706,603	88.67%
15	16001	18000	25	425,013	3,400	98.38%	15,131,615	91.23%
16	18001	20000	18	342,009	3,418	98.90%	15,473,624	93.29%
17	20001	25000	18	405,009	3,436	99.42%	15,878,633	95.73%
18	25001	30000	7	192,504	3,443	99.62%	16,071,137	96.89%
19	30001	35000	5	162,503	3,448	99.77%	16,233,639	97.87%
20	35001	40000	2	75,001	3,450	99.83%	16,308,640	98.33%
21	40001	45000	3	127,502	3,453	99.91%	16,436,142	99.10%
22	45001	50000	2	95,001	3,455	99.97%	16,531,143	99.67%
23	50001	60000	1	55,001	3,456	100.00%	16,586,143	100.00%
24	60001	70000	0	0	3,456	100.00%	16,586,143	100.00%
25	70001	80000	0	0	3,456	100.00%	16,586,143	100.00%
26	80001	90000	0	0	3,456	100.00%	16,586,143	100.00%
27	90001	100000	0	0	3,456	100.00%	16,586,143	100.00%
28	TOTALS		3456	16,586,143	3456		16,586,143	
29								
30	Average Number of Customers:				288			
31								
32	Average Consumption:				4,785			
33								
34	Median Consumption:				4,000			

Naco Water Company
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Test Year Ended December 31, 2012

Schedule H-5
Page 2 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3/4-Inch Meter -RESIDENTIAL

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line Number	Block		Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
					No.	% of Total	Amount	% of Total
1	0	0	0	0	0	0.00%	0	0.00%
2	1	1000	0	0	0	0.00%	0	0.00%
3	1001	2000	3	4,502	3	25.00%	4,502	9.89%
4	2001	3000	3	7,502	6	50.00%	12,003	26.38%
5	3001	4000	2	7,001	8	66.67%	19,004	41.76%
6	4001	5000	1	4,501	9	75.00%	23,505	51.65%
7	5001	6000	2	11,001	11	91.67%	34,506	75.83%
8	6001	7000	0	0	11	91.67%	34,506	75.83%
9	7001	8000	0	0	11	91.67%	34,506	75.83%
10	8001	9000	0	0	11	91.67%	34,506	75.83%
11	9001	10000	0	0	11	91.67%	34,506	75.83%
12	10001	12000	1	11,001	12	100.00%	45,506	100.00%
13	12001	14000	0	0	12	100.00%	45,506	100.00%
14	14001	16000	0	0	12	100.00%	45,506	100.00%
15	16001	18000	0	0	12	100.00%	45,506	100.00%
16	18001	20000	0	0	12	100.00%	45,506	100.00%
17	20001	25000	0	0	12	100.00%	45,506	100.00%
18	25001	30000	0	0	12	100.00%	45,506	100.00%
19	30001	35000	0	0	12	100.00%	45,506	100.00%
20	35001	40000	0	0	12	100.00%	45,506	100.00%
21	40001	45000	0	0	12	100.00%	45,506	100.00%
22	45001	50000	0	0	12	100.00%	45,506	100.00%
23	50001	60000	0	0	12	100.00%	45,506	100.00%
24	60001	70000	0	0	12	100.00%	45,506	100.00%
25	70001	80000	0	0	12	100.00%	45,506	100.00%
26	80001	90000	0	0	12	100.00%	45,506	100.00%
27	90001	100000	0	0	12	100.00%	45,506	100.00%
28	TOTALS		12	45,506	12		45,506	
29								
30	Average Number of Customers:				1			
31								
32	Average Consumption:				3,785			
33								
34	Median Consumption:				3,030			

Naco Water Company
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Schedule H-5
Page 3 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities ☒
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

1-Inch Meter -RESIDENTIAL:

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0 0	12	0	12	100.00%	0	100.00%
2	1 1000	0	0	12	100.00%	0	100.00%
3	1001 2000	0	0	12	100.00%	0	100.00%
4	2001 3000	0	0	12	100.00%	0	100.00%
5	3001 4000	0	0	12	100.00%	0	100.00%
6	4001 5000	0	0	12	100.00%	0	100.00%
7	5001 6000	0	0	12	100.00%	0	100.00%
8	6001 7000	0	0	12	100.00%	0	100.00%
9	7001 8000	0	0	12	100.00%	0	100.00%
10	8001 9000	0	0	12	100.00%	0	100.00%
11	9001 10000	0	0	12	100.00%	0	100.00%
12	10001 12000	0	0	12	100.00%	0	100.00%
13	12001 14000	0	0	12	100.00%	0	100.00%
14	14001 16000	0	0	12	100.00%	0	100.00%
15	16001 18000	0	0	12	100.00%	0	100.00%
16	18001 20000	0	0	12	100.00%	0	100.00%
17	20001 25000	0	0	12	100.00%	0	100.00%
18	25001 30000	0	0	12	100.00%	0	100.00%
19	30001 35000	0	0	12	100.00%	0	100.00%
20	35001 40000	0	0	12	100.00%	0	100.00%
21	40001 45000	0	0	12	100.00%	0	100.00%
22	45001 50000	0	0	12	100.00%	0	100.00%
23	50001 60000	0	0	12	100.00%	0	100.00%
24	60001 70000	0	0	12	100.00%	0	100.00%
25	70001 80000	0	0	12	100.00%	0	100.00%
26	80001 90000	0	0	12	100.00%	0	100.00%
27	90001 100000	0	0	12	100.00%	0	100.00%
28	TOTALS	12	0	12		0	
29							
30	Average Number of Customers:			1			
31							
32	Average Consumption:			0			
33							
34	Median Consumption:			0			

Naco Water Company
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Test Year Ended December 31, 2012

Schedule H-5
Page 4 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

5/8 x 3/4-Inch Meter - COMMERCIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0 0	13	0	13	9.85%	0	0.00%
2	1 1000	48	24,024	61	46.21%	24,024	2.80%
3	1001 2000	17	25,509	78	59.09%	49,533	5.77%
4	2001 3000	8	20,004	86	65.15%	69,537	8.09%
5	3001 4000	4	14,002	90	68.18%	83,539	9.72%
6	4001 5000	1	4,501	91	68.94%	88,039	10.25%
7	5001 6000	2	11,001	93	70.45%	99,040	11.53%
8	6001 7000	2	13,001	95	71.97%	112,041	13.04%
9	7001 8000	1	7,501	96	72.73%	119,542	13.92%
10	8001 9000	1	8,501	97	73.48%	128,042	14.90%
11	9001 10000	4	38,002	101	76.52%	166,044	19.33%
12	10001 12000	4	44,002	105	79.55%	210,046	24.45%
13	12001 14000	6	78,003	111	84.09%	288,049	33.53%
14	14001 16000	5	75,003	116	87.88%	363,052	42.26%
15	16001 18000	2	34,001	118	89.39%	397,053	46.22%
16	18001 20000	3	57,002	121	91.67%	454,054	52.85%
17	20001 25000	3	67,502	124	93.94%	521,556	60.71%
18	25001 30000	2	55,001	126	95.45%	576,557	67.11%
19	30001 35000	1	32,501	127	96.21%	609,057	70.90%
20	35001 40000	1	37,501	128	96.97%	646,558	75.26%
21	40001 45000	0	0	128	96.97%	646,558	75.26%
22	45001 50000	1	47,501	129	97.73%	694,058	80.79%
23	50001 60000	3	165,002	132	100.00%	859,060	100.00%
24	60001 70000	0	0	132	100.00%	859,060	100.00%
25	70001 80000	0	0	132	100.00%	859,060	100.00%
26	80001 90000	0	0	132	100.00%	859,060	100.00%
27	90001 100000	0	0	132	100.00%	859,060	100.00%
28	TOTALS	132	859,060	132		859,060	
29							
30	Average Number of Customers:			11			
31							
32	Average Consumption:			6,482			
33							
34	Median Consumption:			1,365			

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-5
Page 5 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

1-Inch Meter - COMMERCIAL

Required for: All Utilities	<input checked="" type="checkbox"/>
Class A	<input type="checkbox"/>
Class B	<input type="checkbox"/>
Class C	<input type="checkbox"/>
Class D	<input type="checkbox"/>
Specd Reqmt	<input type="checkbox"/>

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0	0	0	6	12.50%	0	0.00%
2	1	1000	2,002	10	20.83%	2,002	0.48%
3	1001	2000	9,003	16	33.33%	11,005	2.65%
4	2001	3000	20,004	24	50.00%	31,009	7.48%
5	3001	4000	0	24	50.00%	31,009	7.48%
6	4001	5000	0	24	50.00%	31,009	7.48%
7	5001	6000	5,501	25	52.08%	36,510	8.81%
8	6001	7000	0	25	52.08%	36,510	8.81%
9	7001	8000	7,501	26	54.17%	44,010	10.62%
10	8001	9000	42,503	31	64.58%	86,513	20.87%
11	9001	10000	19,001	33	68.75%	105,514	25.45%
12	10001	12000	44,002	37	77.08%	149,516	36.07%
13	12001	14000	13,001	38	79.17%	162,516	39.21%
14	14001	16000	15,001	39	81.25%	177,517	42.82%
15	16001	18000	17,001	40	83.33%	194,517	46.93%
16	18001	20000	0	40	83.33%	194,517	46.93%
17	20001	25000	90,002	44	91.67%	284,519	68.64%
18	25001	30000	55,001	46	95.83%	339,520	81.91%
19	30001	35000	32,501	47	97.92%	372,021	89.75%
20	35001	40000	0	47	97.92%	372,021	89.75%
21	40001	45000	42,501	48	100.00%	414,521	100.00%
22	45001	50000	0	48	100.00%	414,521	100.00%
23	50001	60000	0	48	100.00%	414,521	100.00%
24	60001	70000	0	48	100.00%	414,521	100.00%
25	70001	80000	0	48	100.00%	414,521	100.00%
26	80001	90000	0	48	100.00%	414,521	100.00%
27	90001	100000	0	48	100.00%	414,521	100.00%
28	TOTALS		48	414,521	48	414,521	
29							
30	Average Number of Customers:				4		
31							
32	Average Consumption:				8,652		
33							
34	Median Consumption:				4,290		

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-5
Page 6 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate
schedule.

1.5-Inch Meter - COMMERCIAL

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0	0	0	0	0.00%	0	0.00%
2	1 1000	1	501	1	8.33%	501	0.94%
3	1001 2000	1	1,501	2	16.67%	2,001	3.78%
4	2001 3000	2	5,001	4	33.33%	7,002	13.21%
5	3001 4000	2	7,001	6	50.00%	14,003	26.42%
6	4001 5000	2	9,001	8	66.67%	23,004	43.40%
7	5001 6000	0	0	8	66.67%	23,004	43.40%
8	6001 7000	1	6,501	9	75.00%	29,505	55.66%
9	7001 8000	2	15,001	11	91.67%	44,506	83.96%
10	8001 9000	1	8,501	12	100.00%	53,006	100.00%
11	9001 10000	0	0	12	100.00%	53,006	100.00%
12	10001 12000	0	0	12	100.00%	53,006	100.00%
13	12001 14000	0	0	12	100.00%	53,006	100.00%
14	14001 16000	0	0	12	100.00%	53,006	100.00%
15	16001 18000	0	0	12	100.00%	53,006	100.00%
16	18001 20000	0	0	12	100.00%	53,006	100.00%
17	20001 25000	0	0	12	100.00%	53,006	100.00%
18	25001 30000	0	0	12	100.00%	53,006	100.00%
19	30001 35000	0	0	12	100.00%	53,006	100.00%
20	35001 40000	0	0	12	100.00%	53,006	100.00%
21	40001 45000	0	0	12	100.00%	53,006	100.00%
22	45001 50000	0	0	12	100.00%	53,006	100.00%
23	50001 60000	0	0	12	100.00%	53,006	100.00%
24	60001 70000	0	0	12	100.00%	53,006	100.00%
25	70001 80000	0	0	12	100.00%	53,006	100.00%
26	80001 90000	0	0	12	100.00%	53,006	100.00%
27	90001 100000	0	0	12	100.00%	53,006	100.00%
28	TOTALS	12	53,006	12		53,006	
29							
30	Average Number of Customers:			1			
31							
32	Average Consumption:			4,408			
33							
34	Median Consumption:			4,100			

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-5
Page 7 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqm ☐

1-Inch Meter - COMMERCIAL

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0 0	7	0	7	6.93%	0	0.00%
2	1 1000	16	8,008	23	22.77%	8,008	0.53%
3	1001 2000	6	9,003	29	28.71%	17,011	1.13%
4	2001 3000	2	5,001	31	30.69%	22,012	1.47%
5	3001 4000	8	28,004	39	38.61%	50,016	3.33%
6	4001 5000	7	31,504	46	45.54%	81,520	5.43%
7	5001 6000	3	16,502	49	48.51%	98,021	6.53%
8	6001 7000	5	32,503	54	53.47%	130,524	8.70%
9	7001 8000	3	22,502	57	56.44%	153,025	10.20%
10	8001 9000	2	17,001	59	58.42%	170,026	11.33%
11	9001 10000	5	47,503	64	63.37%	217,529	14.50%
12	10001 12000	4	44,002	68	67.33%	261,531	17.43%
13	12001 14000	9	117,005	77	76.24%	378,535	25.23%
14	14001 16000	4	60,002	81	80.20%	438,537	29.23%
15	16001 18000	1	17,001	82	81.19%	455,538	30.36%
16	18001 20000	0	0	82	81.19%	455,538	30.36%
17	20001 25000	1	22,501	83	82.18%	478,038	31.86%
18	25001 30000	0	0	83	82.18%	478,038	31.86%
19	30001 35000	1	32,501	84	83.17%	510,539	34.02%
20	35001 40000	0	0	84	83.17%	510,539	34.02%
21	40001 45000	4	170,002	88	87.13%	680,541	45.35%
22	45001 50000	2	95,001	90	89.11%	775,542	51.68%
23	50001 60000	4	220,002	94	93.07%	995,544	66.35%
24	60001 70000	3	195,002	97	96.04%	1,190,545	79.34%
25	70001 80000	3	225,002	100	99.01%	1,415,547	94.34%
26	80001 90000	1	85,001	101	100.00%	1,500,547	100.00%
27	90001 100000	0	0	101	100.00%	1,500,547	100.00%
28	TOTALS	101	1,500,547	101		1,500,547	
29							
30	Average Number of Customers:			8			
31							
32	Average Consumption:			14,734			
33							
34	Median Consumption:			6,700			

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule H-5
Page 8 of 8

Explanation:
Schedule(s) showing billing activity by block for each rate schedule.

3-Inch Meter - COMMERCIAL

Required for: All Utilities ☒ X
Class A ☐
Class B ☐
Class C ☐
Class D ☐
Specd Reqmt ☐

Line Number	Block	Number of Bills by Block	Consumption by Blocks	Cumulative Bills		Cumulative Consumption	
				No.	% of Total	Amount	% of Total
1	0 0	1	0	1	33.33%	0	0.00%
2	1 1000	0	0	1	33.33%	0	0.00%
3	1001 2000	0	0	1	33.33%	0	0.00%
4	2001 3000	0	0	1	33.33%	0	0.00%
5	3001 4000	0	0	1	33.33%	0	0.00%
6	4001 5000	1	4,501	2	66.67%	4,501	16.67%
7	5001 6000	0	0	2	66.67%	4,501	16.67%
8	6001 7000	0	0	2	66.67%	4,501	16.67%
9	7001 8000	0	0	2	66.67%	4,501	16.67%
10	8001 9000	0	0	2	66.67%	4,501	16.67%
11	9001 10000	0	0	2	66.67%	4,501	16.67%
12	10001 12000	0	0	2	66.67%	4,501	16.67%
13	12001 14000	0	0	2	66.67%	4,501	16.67%
14	14001 16000	0	0	2	66.67%	4,501	16.67%
15	16001 18000	0	0	2	66.67%	4,501	16.67%
16	18001 20000	0	0	2	66.67%	4,501	16.67%
17	20001 25000	1	22,501	3	100.00%	27,001	100.00%
18	25001 30000	0	0	3	100.00%	27,001	100.00%
19	30001 35000	0	0	3	100.00%	27,001	100.00%
20	35001 40000	0	0	3	100.00%	27,001	100.00%
21	40001 45000	0	0	3	100.00%	27,001	100.00%
22	45001 50000	0	0	3	100.00%	27,001	100.00%
23	50001 60000	0	0	3	100.00%	27,001	100.00%
24	60001 70000	0	0	3	100.00%	27,001	100.00%
25	70001 80000	0	0	3	100.00%	27,001	100.00%
26	80001 90000	0	0	3	100.00%	27,001	100.00%
27	90001 100000	0	0	3	100.00%	27,001	100.00%
28	TOTALS	3	27,001	3		27,001	
29							
30	Average Number of Customers:			0.3			
31							
32	Average Consumption:			8,500			
33							
34	Median Consumption:			4,900			



0000155163

Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Company

RECEIVED

2014 AUG -4 P 2: 52

AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

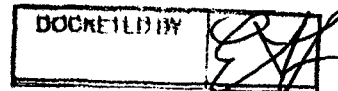
COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER-SMITH
BOB BURNS

Arizona Corporation Commission

DOCKETED

AUG 04 2014



**APPLICATION OF NACO WATER
COMPANY, LLC FOR A PERMANENT
INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399

**NOTICE OF FILING REBUTTAL
TESTIMONY**

Naco Water Company, L.L.C. ("Company" or "Naco"), hereby files rebuttal
testimonies described below:

- Rebuttal Testimony of Matthew Rowell (*see* Attachment 1); and
- Rebuttal Testimony of Bonnie O'Connor (*see* Attachment 2).

////

////

////

EXHIBIT

A-3

ADMITTED

1
2 RESPECTFULLY SUBMITTED this 4th day of August, 2014.
3

4 MOYES SELLERS & HENDRICKS LTD.
5

6 
7 Steve Wene
8

9 Original and 13 copies of the foregoing
10 filed this 4th day of August, 2014, with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007
15

16 
17
18
19
20
21
22
23
24
25
26
27
28

ATTACHMENT 1

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3
4 **COMMISSIONERS**

5 BOB STUMP, CHAIRMAN
6 GARY PIERCE
7 BRENDA BURNS
8 SUSAN BITTER-SMITH
9 BOB BURNS

10 **APPLICATION OF NACO WATER**
11 **COMPANY, LLC FOR A PERMANENT**
12 **INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399

13
14 **REBUTTAL TESTIMONY**
15 **OF MATTHEW ROWELL**

16 **I. INTRODUCTION**

17 **Q. Are you the same Matthew Rowell who provided testimony in support of the**
18 **rate application filed in this matter?**

19 **A. Yes.**

20 **Q. Did you prepare rebuttal schedules in support of your testimony?**

21 **A. Yes, and I adopt those schedules, which are attached, as part of my testimony.**

22 **II. RATE BASE**

23 **Q. Please discuss Staff's Rate Base Adjustment No. 1.**

24 **A. This adjustment removes \$2,357 from the Distributions Reservoirs and Standpipes**
25 **account and classifies \$1,648 of it as Pumping Equipment and \$709 as Pressure Tank.**
26 **The Company accepts the \$1,648 reclassification to Pumping Equipment (starting in**
27 **2007) but objects to the reclassification of the \$709 to Pressure Tank. The Company**
28

1 does not currently maintain a separate Pressure Tank
2 Account (330.2) is a subaccount under the Distributions Reservoirs and Standpipes
3 account (330). Inserting this subaccount into the Company's books would be a time
4 consuming and costly task without discernable benefit. The Company's current practice
5 has not lead to any problems. Staff was able to effectively audit the Company without
6 this subaccount being tracked by the Company. The Company notes that in Naco's last
7 rate case this subaccount was not broken out and Staff did not object. The Company
8 notes further that the Annual Report form and Rate Case Application form Staff makes
9 available on its website do not include the Pressure Tank Subaccount.
10
11
12

13 **Q. Please discuss Staff's Rate Base Adjustment No. 2.**

14 **A.** Staff's Rate Base Adjustment No. 2 reclassifies \$267,430 from Transmission and
15 Distribution Mains (Account 331) to Services, Meters, and Wells and Springs. This
16 adjustment also removes \$18,468 from Plant in Service. The Company accepts the
17 reclassifications but is opposed to most of the \$18,468 that Staff recommends be removed
18 from plant in Service. The \$18,468 is made up of \$6,721 for a trailer and \$11,748 for
19 2006 rate case expense and for work done on a WIFA grant application.
20
21

22 Staff argues that the trailer should be removed from Transmission and Distribution
23 Mains (Account 331) because it is also accounted for in the Transportation Equipment
24 Account (341). Staff does not appear to be saying that the trailer should be disallowed,
25 just that it should not be double-counted. The Company agrees that the trailer is
26 properly accounted for in the Transportation Equipment Account (341). But the trailer
27
28

1 was not included in the Transmission and Distribution Mains Account (331). Therefore,
2 it should not be removed from that account.
3

4 Regarding the \$11,748 for 2006 rate case expense and for work done on a WIFA
5 grant application, the Company agrees that some rate case expense was capitalized but
6 that Staff overstates the amount and the Company believes the costs of the WIFA grant
7 application were properly capitalized. The bulk (\$7,908) of the costs identified by Staff
8 as rate case expense comes from invoice 32307A from Tierra Dynamics (an engineering
9 consulting firm). This invoice is 15 pages long and covers a total of over \$49,000 in
10 costs. With an invoice of this length and complexity, it can of course be difficult to
11 determine exactly how amounts should be categorized. My review of this invoice
12 identifies only \$138 that appears to be rate case expense. The remainder of the rate case
13 expenses (from invoices 32700 and 32922) that Staff proposes to remove from plant in
14 service appears to be valid.
15
16
17

18 Regarding the WIFA grant application costs, the Company believes that such costs
19 are properly capitalized. These are costs directly associated with getting plant built and
20 as such their proper treatment is capitalization. The Company's position is summarized
21 in Table 1 on the following page:
22
23
24
25
26
27
28

Table 1 Response to Staff's Rate Base Adjustment No.2

Invoice	Year	Description	Staff Proposed Adjustment	Company Proposed Adjustment
32307A	2006	2006 ACC Rate Case Expense	(7,908)	(138)
32307A	2006	WIFA 2008 TA Grant Ap Expense	(925)	0
32700	2006	2006 ACC Rate Case Expense	(925)	(925)
92322	2007	2006 ACC Rate Case Expense	(1,508)	(1,508)
32922	2007	WIFA 2008 TA Grant Ap Expense	(1,124)	0
Total 2006 rate expense and WIFA grant application			(11,748)	(2,571)
33327	2008	Water Trailer	(6721)	0

Q. Please discuss Staff's Rate Base Adjustment No. 3.

A. The Company notes that this adjustment involves post test year plant the Company did not seek to include in rate base. The adjustment has minimal impact on the revenue requirement and Staff's thorough scrutiny of the post test year plant has led to higher than anticipated rate case expense (discussed further below). The Company also notes that the amount of the post test year plant Staff is recommending here is somewhat different than that reported by the Company in response to Staff's data requests. Staff does not explain this difference. The Company believes the amounts reported in its data request response (PT 10.1) should be used.

Q. Please discuss Staff's Rate Base Adjustment No. 4.

A. The Company accepts Staff's proposed \$49,711 plant in service reduction associated with plant retired as a result of the post test year plant installed in 2013.

1 **Q Please discuss Staff's Rate base Adjustment No. 5.**

2 A. This adjustment provides Staff's recalculation of accumulated depreciation as a
3 result of its other plant adjustments. Since the Company did not totally accept those
4 adjustments, the Company's accumulated depreciation number is somewhat different.
5

6 **Q. Please discuss Staff's Rate Base Adjustment No. 6.**

7 A. This adjustment includes all of the CIAC associated with the post test year plant
8 that is the subject of Staff's rate base adjustment No. 3. As with adjustment No. 3,
9 Staff's adjustment is somewhat different than the amount booked by the Company for
10 2013 CIAC additions. The Company believes the amount of CIAC should equal the
11 2013 plant additions.
12
13

14 **III. OPERATING INCOME**

15 **Q. Please discuss Staff's Operating Income Adjustment No. 1.**

16 A. The Company does not object to Staff's Operating Income Adjustment No. 1.
17

18 **Q. Please discuss Staff's Operating Income Adjustment No. 2.**

19 A. The Company opposes Staff Operating Income Adjustment No. 2. This
20 adjustment proposes to do away with the Office Supplies and Expense account and
21 reclassify its contents to other accounts. Staff's rationale for this reclassification is that
22 there is no Office Supplies and Expense account under the NARUC USOA. Staff is
23 correct that there is no Office Supplies and Expense account under the NARUC USOA.
24
25 However, there is a long history of this accounts use in Arizona. Staff created this
26 account many years ago because it was believed that the standard NARUC accounts did
27 not provide an appropriate place to classify office expenses. This account is used widely
28

1 in the Arizona water industry. Every water rate case I have been involved in has included
2 Office Supplies and Expense as an expense account. The Annual Report form and Class
3 D Rate Case Application form that the Staff makes available on the ACC's website both
4 include an Office Supplies and Expense account. There is no reason that Naco should be
5 singled out for its use of this account and forced to incur the expense of changing its
6 accounting systems.
7

8
9 The Company also objects to Staff's reclassification of fees imposed by WIFA as
10 interest expense. These fees are clearly not interest and thus should not be classified as
11 such.
12

13 **Q. Please discuss Staff's Operating Income Adjustment No. 3.**

14 A. This adjustment is similar to Operating Income Adjustment No. 2 discussed
15 above. Staff proposes to eliminate the Outside Services account and reclassify its
16 contents in order to conform with the NARUC USOA. As with the Office Supplies and
17 Expense account discussed above, the Outside Services Account is widely used in the
18 Arizona Water Industry and the Annual Report form and Class D Rate Case Application
19 form that Staff makes available on the ACC's website both include it. For these reasons
20 the Company is opposed to Staff's Operating Income Adjustment No. 3.
21

22
23 **Q. Please discuss Staff's Operating Income Adjustment No. 4.**

24 A. The Company accepts Staff's Operating Income Adjustment No. 4.
25

26 **Q. Please discuss Staff's Operating Income Adjustment No. 5.**

27 A. This adjustment reduces rate case expense recovery by changing the amortization
28 period for rate case expense to 5 years from 3. The Company does not agree that a 5 year

1 amortization period for rate case expense is appropriate. The Company plans on filing
2 rate cases more frequently in the future. However as a compromise position the
3 Company proposes a 4 year amortization period.
4

5 Since this case has been much more complex and time consuming than anticipated
6 the Company is increasing its overall rate case expense as discussed below.
7

8 **Q. Please discuss Staff's Operating Income Adjustment No. 6.**

9 A. This adjusts depreciation expense for Staff's plant adjustments. Since the
10 Company does not accept all of Staff's plant adjustments, the Company's proposed
11 depreciation expense is somewhat different than Staff's.
12

13 **Q. Please discuss Staff's Operating Income Adjustment No. 7.**

14 A. The Company accepts this adjustment.
15

16 **Q. Is the Company Proposing any additional Operating Income adjustments?**

17 A. Yes, the Company is proposing an increase to Rate Case Expense. The Company
18 had not planned on including the post test year Plant discussed above in this rate case.
19 Since this plant was funded by CIAC its inclusion in the rate case would have minimal
20 impact on the revenue requirement. In spite of this, Staff inundated the Company with
21 data requests regarding the post test year plant. Responding to these data requests and
22 developing the attached Rebuttal schedules that deal with the post test year plant was a
23 time consuming and labor intensive task. The Company did not anticipate this amount of
24 work when the rate case was filed and thus an increase to the Rate Case Expense is
25 justified.
26
27
28

1 Q. Are there other reasons why the Company is seeking an increase to Rate Case
2 expense?
3

4 A. Yes. Staff's audit of the Company's plant additions since the last rate case was
5 remarkably thorough. In fact, calling Staff's review of this case an "audit" may
6 understate the extent of Staff's review. An "audit", as the term is typically used, involves
7 a detailed review of a Company's books to determine whether its accounting is in order.
8 Audits are typically statistical in nature, that is, a sample of records is reviewed as
9 opposed to 100% of the records. Staff has gone far beyond an audit here. Staff has
10 essentially performed a complete reconstruction of the past eight years of plant records.
11 Assisting Staff in this endeavor (through responses to multiple data requests and emails)
12 has resulted in costs beyond those anticipated by the Company.
13
14

15 The cost of responding to Staff's data requests and other questions was
16 exacerbated by the fact that two different Staff members were independently performing
17 this reconstruction of the Company's historical accounting records. This lead to multiple
18 overlapping data requests and inquires.
19
20

21 Responding to Staff's data requests and inquires was more time consuming than
22 the Company had initially anticipated. In total the Company responded to thirteen
23 separate data requests and dozens email inquires. The Company has produced an
24 incredible 1,653 pages of documents for Staff review and consideration in this case. This
25 has also lead to an upward adjustment in the Company's requested Rate Case expense.
26

27 ////
28

1 **IV. REVENUE REQUIREMENT**

2 **Q. Has the Company revised its requested revenue requirement?**

3
4 **A.** Yes. After the above discussed adjustments were applied, the Company's
5 previous revenue requirement was no longer sufficient to provide the level of free cash
6 flow and the DSCR initially requested. The revenue requirement requested here is
7 \$1,158 higher than that requested in the application.
8

9 **V. RATE DESIGN**

10 **Q. Please discuss Staff's proposed rate design.**

11
12 **A.** The Company is not opposed to Staff's proposed rate design methodology. Since
13 the Company's proposed revenue requirement is different from Staff's proposal, the
14 actual rates produced are different. However, the manner in which the revenue increase
15 was spread across the monthly minimum charges and the various commodity rate tiers is
16 very similar in both Staff's and the Company's proposed rate design. Revised rates for
17 the Company's revised revenue requirement are provided in schedule MJR 13.
18

19 **VI. OTHER ISSUES**

20
21 **Q. Please discuss Staff's recommendation regarding water loss.**

22 **A.** Staff is proposing that the Company implement the provisions of its water loss
23 reduction plan. That plan envisioned spending \$1,400 a month on meter replacements
24 and \$9,550 on a leak detection program. The Company does not believe it should be
25 ordered to implement this plan.
26

27 Schedule MJR 9 shows the free cash flow and the DSCR at the Company's and
28 Staff's proposed rates. The Column labeled "Staff Recommended 1" includes both the

1 meter replacements and the leak detection program. The column labeled "Staff
2 Recommended 2" includes just the meter replacement program. In either case, if the
3 Company is ordered to undergo these expenditures, its free cash flow will be well below
4 that represented by Staff and its DSCR will be barely above that required by WIFA.
5 Recall that the low level of the DSCR is the primary reason why this rate case was filed.
6

7 The Company is willing to implement a meter replacement program if adequate
8 provisions are made to the revenue requirement.
9

10 **Q. Does this conclude your Rebuttal Testimony?**

11 **A. Yes.**
12
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SCHEDULES

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule MJR 1 (REBUTTAL Schedule B-2)
Title: Original Cost Rate Base
Proforma Adjustments

Line Description	Test Year 2012 as Adjusted	Post Test Year Changes	Year End 2013
1 Gross Utility Plant in Service	\$ 2,222,903	\$ 1,138,620	\$ 3,361,523
2 Less: Accumulated Depreciation	(670,808)		(784,227)
3 Net Utility Plant in Service	\$ 1,552,095		\$ 2,577,296
4 Less:			
5 Advances in Aid of Construction	\$ (20,753)		\$ (20,753)
6 Contributions in Aid of Construction	(40,133)	(1,186,333)	(1,226,466)
7 Customer Deposits	(8,950)		(8,950)
8 Plus:			
9 Amortization of Contributions	\$ 25,992	\$ 10,064	\$ 36,056
10 Allowance for Working Capital	-		-
11 Total Rate Base	<u>\$ 1,508,251</u>		<u>\$ 1,357,183</u>

Naco Water Company
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule MJR 2 (REBUTTAL Schedule E-5)
Title: Detail of Utility Plant

Line	Account Number	Description	Test Year 2012 as Adjusted	Pre-2013 Adjustments	Post Test Year Plant	Post Test Retirements	Year End 2013
1	302	Franchises	\$ 198	\$ -			\$ 198
2	303	Land & Land Rights	4,345	-			4,345
3	304	Structures & Improvements	5,918	-	8,183		14,101
4	307	Wells & Springs	128,561	5,279	345,069	(20,110)	458,799
5	311	Pumping Equipment	194,487	1,648	49,405	(21,508)	224,032
6	320	Water Treatment Equipment	1,824	-			1,824
7	320.1	Water Treatment Plants	-				-
8	320.2	Solution Chemical Feeders	-				-
9	330	Distribution Reservoirs & Standpipe	137,771	(1,648)	313,675	(8,093)	441,705
10	330.1	Storage Tanks	-				-
11	330.2	Pressure Tanks.	-				-
12	331	Transmission & Distribution Mains	1,498,997	(270,001)	472,990		1,701,986
13	333	Services	136,839	225,051			361,890
14	334	Meters & Meter Installations	46,800	37,100	1,580		85,480
15	335	Hydrants	34,717	-			34,717
16	339	Other Plant and Misc Equipment	-				-
17	340	Office Furniture & Equipment	9,202	-			9,202
18	340.1	Computers and Software	-				-
19	341	Transportation Equipment	20,298	-			20,298
20	343	Tools, Shop, and Garage Equipment	128	-			128
21	345	Power Operated Equipment	2,818	-			2,818
22	348	Other Tangible Plant	-	-			-
23		Total Plant In Service	\$ 2,222,903	\$ (2,571)	\$ 1,190,902	\$ (49,711)	\$ 3,361,523
24	108	Accumulated Depreciation	(670,808)				(784,227)
25		Net Plant In Service	\$ 1,552,095				\$ 2,577,296
26	103	Property Held for Future Use	-				-
27	105	Construction Work in Process	378,346				-
28		Total Net Plant	\$ 1,930,441	\$ -			\$ 2,577,296

Naco Water Company
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Test Year Ended December 31, 2012

Schedule MJR 3 (REBUTTAL Schedule C-1)
Title: Adjusted Test Year Income
Statement

Line	Acct	Description	Test Year As Adjusted	Rebuttal Adjustments	Test Year Results After Rebuttal Adjustments	Proposed Rate Increase	Adjusted Test Year With Rate Increase
Revenues							
1	461	Metered Water Revenue	\$ 248,165	\$ -	\$ 248,165	\$ 51,241	\$ 299,406
2	460	Unmetered Water Revenue	-	-	-	-	-
3	474	Other Water Revenue	6,924	-	6,924	-	6,924
4		Total Revenues	\$ 255,089		\$ 255,089	\$ 51,241	\$ 306,330
5							
6		Operating Expenses					
7	601	Salaries and Wages	\$ 16,712	\$ -	\$ 16,712	\$ -	\$ 16,712
8	604	Employee Pensions and Benefits	-	-	-	-	-
9	610	Purchased Water	-	-	-	-	-
10	615	Purchased Power	8,999	-	8,999	-	8,999
11	618	Chemicals	684	-	684	-	684
12	620	Materials & Supplies	8,127	(5,756)	2,371	-	2,371
13	621	Office Supplies and Expense	33,446	-	33,446	-	33,446
14	630	Outside Services	58,374	-	58,374	-	58,374
15	631	Contractual Services - Professional	-	-	-	-	-
16	635	Contractual Services - Testing	3,596	486	4,082	-	4,082
17	636	Contractual Services - Other	-	3,871	3,871	-	3,871
18	640	Rents	2,200	-	2,200	-	2,200
19	650	Transportation Expenses	6,073	-	6,073	-	6,073
20	567	Insurance - General Liability	5,165	-	5,165	-	5,165
21	659	Insurance - Health and Life	3,170	-	3,170	-	3,170
22	665	Regulatory Expenses	63	-	63	-	63
23	666	Regulatory Expense Rate Case	9,230	3,270	12,500	-	12,500
24	670	Bad Debt Expense	-	-	-	-	-
25	675	Miscellaneous Expenses	-	-	-	-	-
26	403	Depreciation Expenses	54,654	(512)	54,142	-	54,142
27	408	Taxes Other Than Income	1,229	-	1,229	-	1,311
28	408.11	Property Taxes	12,486	(930)	11,556	774	12,330
29	409	Income Taxes	4,610	-	4,610	7,977	12,587
30	427.4	Interest Expense - Customer Deposits	306	-	306	-	306
31		Total Operating Expenses	\$ 229,124	\$ 429	\$ 229,554		\$ 238,387
32							
33		OPERATING INCOME/(LOSS)	\$ 25,964		\$ 25,535		\$ 67,943
34							
35		Other Income/(Expense)					
36	419	Interest and Dividend Income	\$ 6	\$ -	\$ 6	\$ -	\$ 6
37	421	Non-Utility Income	-	-	-	-	-
38	426	Interest Expense	(1,717)	-	(1,717)	-	(1,717)
39	427	Extraordinary Deductions	-	-	-	-	-
40		Total Other Income/(Expense)	\$ (1,711)	\$ -	\$ (1,711)		\$ (1,711)
41							
42		NET INCOME/(LOSS)	\$ 24,253		\$ 23,824		\$ 66,232

Naco Water Company
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Schedule MJR 4 (REBUTTAL Schedule C-2)
Title: Adjusted Test Year Income Statement

Line	Acct #	Revenues	Test Year					Adjustments to Test Year Revenue and Expense					Test Year				
			As Adjusted	Staff Adj 1	Staff Adj 4	Staff Adj 6	Staff Adj 7	Rebuttal Adj 1	Rebuttal Adj 7	Rebuttal Adj 1	Rebuttal Adj 7	Rebuttal Adj 1	Results After Pro Forma Adjustments	Results After Pro Forma Adjustments	Results After Pro Forma Adjustments	Results After Pro Forma Adjustments	Results After Pro Forma Adjustments
1	461	Metered Water Revenue	\$ 248,165										\$ 248,165				
2	460	Unmetered Water Revenue	-										-				
3	474	Other Water Revenue	6,924										6,924				
4		Total Revenues	\$ 255,089										\$ 255,089				
5																	
6		Operating Expenses															
7	601	Salaries and Wages	\$ 16,712										\$ 16,712				
8	604	Employee Pensions and Benefits	-										-				
9	610	Purchased Water	-										-				
10	615	Purchased Power	8,999										8,999				
11	618	Chemicals	684										684				
12	620	Materials & Supplies	8,127										8,127				
13	621	Office Supplies and Expense	33,446		(5,756)								33,446				
14	630	Outside Services	58,374										58,374				
15	631	Contractual Services - Professional	-										-				
16	635	Contractual Services - Testing	3,596										3,596				
17	636	Contractual Services - Other	-		486								486				
18	640	Rents	2,200		3,871								3,871				
19	650	Transportation Expenses	6,073										6,073				
20	567	Insurance - General Liability	5,165										5,165				
21	659	Insurance - Health and Life	3,170										3,170				
22	665	Regulatory Commission Expenses	63										63				
23	666	Regulatory Commission Expense Rate Case	9,230										9,230				
24	670	Bad Debt Expense	-										-				
25	675	Miscellaneous Expenses	-										-				
26	403	Depreciation Expenses	54,654										54,654				
27	408	Taxes Other Than Income	1,229										1,229				
28	408.11	Property Taxes	12,486										12,486				
29	409	Income Taxes	4,610										4,610				
30	427.4	Interest Expense - Customer Deposits	306										306				
31		Total Operating Expenses	\$ 229,124										\$ 229,124				
32																	
33		OPERATING INCOME/(LOSS)	\$ 25,964										\$ 25,964				
34																	
35		Other Income/(Expense)															
36	419	Interest and Dividend Income	\$ 6										\$ 6				
37	421	Non-Utility Income	-										-				
38	427	Interest Expense	(1,717)										(1,717)				
39	437	Extraordinary Deductions	-										-				
40		Total Other Income/(Expense)	\$ (1,711)										\$ (1,711)				
41																	
42		NET INCOME/(LOSS)	\$ 24,253										\$ 24,253				

ADJUSTMENT TO DEPRECIATION EXPENSE DUE TO CHANGES IN PLANT BALANCE

Line	Account Number	Description	Plant Year End 2013	Non Depreciable Or Fully Depreciated Plant	Depreciable Plant	Proposed Depreciation Rate	Proposed Depreciation Expense
1	301	Organization	\$ 198	\$ 198	\$ -	0.00%	\$ -
2	303	Land & Land Rights	4,345	4,345	-	0.00%	-
3	304	Structures & Improvements	14,101	4,101	10,000	3.33%	333
4	307	Wells & Springs	458,799		458,799	3.33%	15,278
5	311	Pumping Equipment 1	224,032	132,559	91,473	12.50%	11,434
6	320	Water Treatment Equipment	1,824		1,824	3.33%	61
7	330	Distribution Reservoirs & Standpipes	441,705		441,705	2.22%	9,806
8	331	Transmission & Distribution Mains	1,701,986		1,701,986	2.00%	34,040
9	333	Services	361,890		361,890	3.33%	12,051
10	334	Meters & Meter Installations 2	85,480	28,060	57,420	8.33%	4,783
11	335	Hydrants	34,717		34,717	2.00%	694
12	339	Other Plant and Misc Equipment	-		-	6.67%	-
13	340	Office Furniture & Equipment	9,202	9,202	-	6.67%	-
14	340.1	Computers and Software	-	-	-	33.33%	-
15	341	Transportation Equipment	20,298	20,298	-	20.00%	-
16	343	Tools, Shop, and Garage Equipment	128		128	5.00%	6
17	345	Power Operated Equipment	2,818	2,818	-	5.00%	-
18	346	Communication Equipment	-		-	10.00%	-
19	347	Miscellaneous Equipment	-		-	10.00%	-
20	348	Other Tangible Plant	-		-	10.00%	-
21		Totals	\$ 3,361,523	\$ 201,581	\$ 3,159,942		\$ 88,486

Composite Depreciation Rate (Depr Exp/Depreciable Plant)* 2.80%

CIAC \$ (1,226,466)

Amortization of CIAC \$ (34,344)

Net Depreciation Expense \$ 54,142

Test Year Net Depreciation Expense as Filed 54,654

Total Adjustment \$ (512)

*Note the Company does not agree that this is the appropriate way to calculate CIAC amortization but follows Staff here in order to reduce the number of issues in dispute.

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Schedule MJR 6

STAFF OPERATING INCOME ADJUSTMENT #7 - PROPERTY TAX EXPENSE GRCF COMPONENT

LINE NO.	DESCRIPTION	(A) Test Year Adjusted	(B) At Required Revenue
1	Adjusted Test Year Revenues	\$ 255,089	\$ 255,089
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	510,177	510,177
4	Adjusted Test Year Revenues	255,089	
5	Required Revenue		306,330
6	Subtotal (Line 4 + Line 5)	765,266	816,507
7	Number of Years	3	3
8	Three Year Average (Line 5 / Line 6)	255,089	272,169
9	Department of Revenue Multiplier	2	2
10	Revenue Base Value (Line 7 * Line 8)	510,177	544,338
11	Plus: 10% of CWIP	-	-
12	Less: Net Book Value of Licensed Vehicles	-	-
13	Full Cash Value (Line 10 + Line 11 - Line 12)	510,177	544,338
14	Assessment Ratio	18.5%	18.5%
15	Assessment Value (Line 13 * Line 14)	94,383	100,703
16	Composite Property Tax Rate	12.2439%	12.2439%
17	Test Year Adjusted Property Tax Expense (Line 15 * Line 16)	\$ 11,556	
18	Actual Property Tax Paid	\$ 12,486	
19	Test Year Adjustment (Line 17 - Line 18)	\$ (930)	
20	Property Tax on Required Revenue (Line 15 * Line 16)		\$ 12,330
21	Test Year Adjusted Property Tax Expense (Line 17)		\$ 11,556
22	Increase in Property Tax Due to Increase in Revenue Requirement		\$ 774
23	Increase in Property Tax Due to Increase in Revenue Requirement (Line 22)		\$ 774
24	Increase in Revenue Requirement		\$ 51,241
25	Increase in Property Tax Per Dollar Increase in Revenue (Line 23 / Line 24)		1.51009%

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Schedule MJR 7

DETAIL OF ADJUSTMENT TO RATE CASE EXPENSES

Line	Description	Amount As Filed	Revised Amount	Change
1	Estimated Rate Case Expenses	\$ 27,690	\$ 50,000	\$ 22,310
2	Amortization Period in years	3	4	1
3	Annual expense recovery	\$ 9,230	\$ 12,500	\$ 3,270

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Schedule MJR 8

CALCULATION OF INCOME TAX AT PROPOSED RATES

Line	Description			
1	Test Year			
2	Operating Income/(Loss) Before Taxes	\$	30,145	
3	Add Interest Income		6	
4	Less Estimated Interest Expense		<u>(1,717)</u>	
5	Taxable Income	\$	28,434	
6	Effective Combined Federal and State Income Tax Rate		<u>15.97%</u>	
7	Total Income Tax Expense			\$ 4,541
8	Test Year income Tax Expense			<u>\$ 4,610</u>
9	Total Adjustment e to Test Year Income Taxes			<u><u>\$ (69)</u></u>
10				
11	At Proposed Rates			
12	Operating Income/(Loss) Before Taxes	\$	80,530	
13	Add Interest Income		6	
14	Less Estimated Interest Expense		<u>(1,717)</u>	
15	Taxable Income	\$	78,819	
16	Effective Combined Federal and State Income Tax Rate		<u>15.97%</u>	
17	Total Income Tax Expense			\$ 12,587
18	Adjusted Test Year income Tax Expense			<u>\$ 4,610</u>
19	Total Adjustment to Income Taxes at Proposed Rates			<u><u>\$ 7,977</u></u>

Schedule MJR 9

Cash Flow and Operating Margin

	Company Test Year As Adjusted	Company Proposed Rebuttal	Staff Recommended 1	Staff Recommended 2
Operating Revenue	\$ 255,089	\$ 306,330	\$ 287,231	\$ 287,231
Operating Expenses				
Operation and Maintenance	\$ 156,145	\$ 158,016	\$ 123,784	\$ 123,784
Depreciation	54,654	54,142	53,889	53,889
Property and Other Taxes	13,715	13,641	13,271	13,271
Income Tax	4,610	12,587	10,412	10,412
Total Operating Expense	\$ 229,124	\$ 238,387	\$ 201,356	\$ 201,356
Operating Income	\$ 25,964	\$ 67,943	\$ 85,875	\$ 85,875
Add Depreciation	54,654	54,142	53,889	53,889
Less Interest Expense	1,717	1,717	28,986	28,986
Less Principal Repayment	70,778	70,778	70,778	70,778
Less Capital Expenditures	-	-	26,350	16,800
Free Cash Flow	\$ 8,123	\$ 49,590	\$ 13,650	\$ 23,200
DSC				
Before Tax:	1.18	1.86	1.24	1.34
After Tax:	1.11	1.68	1.14	1.23
Operating Margin	10%	22%	30%	30%

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Schedule MJR 10
Title: Computation of Gross Revenue
Conversion Factor

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Tax Rate (Line 17) + Property Tax Factor (Line 22)	17.2389%		
5	Subtotal (L3 - L4)	82.7811%		
6	Revenue Conversion Factor (L1 / L5)	1.208298		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	15.9700%		
9	One Minus Combined Income Tax Rate (L7 - L8)	84.0300%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0.0000%		
<u>Effective Combined Tax Rate of LLC's Owner:</u>				
12				
13				
14				
15				
16				
17	Combined Federal and State Income Tax Rate (See Testimony)	15.9700%		
<u>Calculation of Effective Property Tax Factor</u>				
18	Unity	100.0000%		
19	Combined Federal and State Tax Rate (Line 17)	15.9700%		
20	One Minus Combined Income Tax Rate (L18 - L19)	84.0300%		
21	Property Tax Factor (Schedule C-2b)	1.5101%		
22	Effective Property Tax Factor (L 21 * L 22)	1.2689%		
23	Combined Federal and State Tax and Property Tax Rate (L17+L22)		17.2389%	
24	Required Operating Income (Schedule A-1)	\$ 67,943		
25	Adjusted Test Year Operating Income (Loss) (Schedule C-1)	\$ 25,535		
26	Required Increase in Operating Income (L24 - L25)		\$ 42,408	
27	Income Taxes on Recommended Revenue (Schedule C2e)	\$ 12,587		
28	Income Taxes on Test Year Revenue (Schedule C2e)	\$ 4,541		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		\$ 8,047	
30	Recommended Revenue Requirement	\$ 306,330		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ -		
33	Adjusted Test Year Uncollectible Expense	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32 - L33)		\$ -	
35	Property Tax with Recommended Revenue (Schedule C-2b)	\$ 12,330		
36	Property Tax on Test Year Revenue (Schedule C-2b)	\$ 11,556		
37	Increase in Property Tax Due to Increase in Revenue (Schedule C-2b)		\$ 774	
38	Total Required Increase in Revenue (L26 + L29 + L34+L37)		\$ 51,228	

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Schedule MJR 11 (REBUTTAL Schedule A-1)
Title: Computation of Increase in Gross
Revenue Requirements

<u>Line</u>	<u>Original Cost</u>	<u>RCND</u>
1 Adjusted Rate Base	\$ 1,357,183 (a)	
2 Adjusted Operating Income	\$ 25,535 (b)	
3 Current Rate of Return	1.88%	
4 Required Operating Income	\$ 67,943	
5 Required Rate of Return	5.01%	
6 Operating Income Deficiency (4 - 2)	\$ 42,408	
7 Gross Revenue Conversion Factor	1.208 (c)	
8 Increase in Gross Revenue Requirements (6 x 7)	<u>\$ 51,241</u>	<u></u>

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Schedule MJR 12 (REBUTTAL Schedule D-1)

Title: Summary Cost of Capital

Line	Invested Capital	End of Test Year			
		Amount	%	Cost Rate (e)	Composite Cost %
1	Long-Term Debt (a)	\$ 1,208,258	72.31%	0.13%	0.09%
2	Common Equity (c)	462,570	27.69%	17.75%	4.91%
3	Totals	\$ 1,670,828	100.00%		5.01%

Monthly Usage Charge

	Present Rate	Proposed Rate	% Change
5/8th by 3/4" Meters	32.16	36.95	15%
3/4" Meters	32.16	36.95	15%
1" Meters	62.50	71.81	15%
1.5" Meters	82.50	94.79	15%
2" Meters	96.20	110.53	15%
3" Meters	180.00	206.81	15%
4" Meters	285.00	327.45	15%
6" Meters	600.00	689.37	15%

Commodity Charges

	Present Rates		Proposed Rates		% Change
	Tier Breaks	Rate	Tier Breaks	Rate	
5/8th by 3/4" Meters	1 to 3,000	4.54	1 to 3,000	5.75	27%
(Residential)	3001 to 9,000	6.82	3001 to 9,000	8.62	26%
	over 9,000	8.19	over 9,000	10.35	26%
3/4" Meters	1 to 3,000	4.54	1 to 3,000	5.75	27%
(Residential)	3001 to 9,000	6.82	3001 to 9,000	8.62	26%
	over 9,000	8.19	over 9,000	10.35	26%
5/8th by 3/4" Meters	1 to 9,000	6.82	1 to 3,000	5.75	-16% *
(Commercial)	over 9,000	8.19	3001 to 9,000	8.62	5% *
			over 9,000	10.35	26% *
3/4" Meters	1 to 9,000	6.82	1 to 3,000	5.75	-16% *
(Commercial)	over 9,000	8.19	3001 to 9,000	8.62	5% *
			over 9,000	10.35	26% *
1" Meters	1 to 18,000	6.82	1 to 30,000	8.62	26% *
(Residential & Commercial)	over 18,000	8.19	over 30,000	10.35	26% *
1.5" Meters	1 to 30,000	6.82	1 to 30,000	8.62	26%
(Residential & Commercial)	over 30,000	8.19	over 30,000	10.35	26%
2" Meters	1 to 35,000	6.82	1 to 30,000	8.62	26% *
(Residential & Commercial)	over 35,000	8.19	over 30,000	10.35	26% *
3" Meters	1 to 93,000	6.82	1 to 30,000	8.62	26% *
(Residential & Commercial)	over 93,000	8.19	over 30,000	10.35	26% *
4" Meters	1 to 150,000	6.82	1 to 30,000	8.62	26% *
(Residential & Commercial)	over 150,000	8.19	over 30,000	10.35	26% *
6" Meters	1 to 300,000	6.82	1 to 30,000	8.62	26% *
(Residential & Commercial)	over 300,000	8.19	over 30,000	10.35	26% *

*Note: For meter sizes where the proposed Tier Breaks are changing the percent change does not reflect the % change across all usage levels. It is simply the percent change in the rate.

Service Line and Meter Installation Charges					
	Present Rate	Proposed Rate		% Change	
		Service Line	Meter Installation	Total	
5/8th by 3/4" Meters	450.00	490.00	131.50	621.50	38%
3/4" Meters	475.00	490.00	232.50	722.50	52%
1" Meters	550.00	547.00	293.00	840.00	53%
1.5" Meters	775.00	609.50	505.50	1,115.00	44%
2" Meters	1,375.00	927.00	1,030.50	1,957.50	42%
3" Meters	1,975.00	1,171.00	1,661.50	2,832.50	43%
4" Meters	3,040.00	1,661.00	2,646.50	4,307.50	42%
6" Meters	5,635.00	2,478.50	5,025.50	7,504.00	33%

Service Charges			
	Present Rate	Proposed Rate	% Change
Establishment	\$ 30.00	\$ 30.00	0%
Establishment (After Hours)	40.00	Eliminate	NA
Reconnection (Delinquent)	30.00	30.00	0%
Reconnection (After Hours)	40.00	Eliminate	NA
After Hours Service Charge	NA	35.00	NA
Meter Test (If Correct)	30.00	30.00	0%
Deposit	*	*	0%
Deposit Interest	*	*	0%
Reestablishment (Within 12 months)	**	**	0%
Reestablishment (After Hours)	**	Eliminate	NA
NSF Check	20.00	20.00	0%
Deferred Payment per month	1.5% of	1.5% of	
	Outstanding Balance	Outstanding Balar	0%
Meter Reread (if correct)	15.0	15.0	0%
Moving Customer Meter at			
Customer request per rule			
R14-2-405B	Cost	Cost	0%

*Per Commission Rule AAC R-14-2-403(B)

**Months off system times the monthly minimum per Commission rule AAC R14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, use, and franchise tax. Per Commission Rules 14-2-409(D)(5).

ATTACHMENT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3
4 **COMMISSIONERS**

5 BOB STUMP, CHAIRMAN

6 GARY PIERCE

7 BRENDA BURNS

8 SUSAN BITTER-SMITH

9 BOB BURNS

10 **APPLICATION OF NACO WATER**
11 **COMPANY, LLC FOR A PERMANENT**
12 **INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399

13 **REBUTTAL TESTIMONY**
14 **OF BONNIE O'CONNOR**

15 **Q. Please state your name and current employment position:**

16 A. Bonnie O'Connor, President, Southwestern Utility Management, Inc., which is
17 serving as the manager of Naco Water Company, LLC ("Naco" or "Company").

18 **Q. Describe your educational and professional background:**

19 A. I am currently the President of Southwestern Utility Management, Inc.
20 ("Southwestern" or "Interim Manager"). I have worked in an administrative and
21 management capacity for more than 50 Arizona utilities for approximately 30 years.

22 **Q. Do you agree with Staff's recommendation that the Company submit a**
23 **detailed water loss reduction plan with Docket Control before any rate increase**
24 **recommended in this matter becomes effective?**

25 A. No. First of all, the Company has substantially reduced its water loss over the past
26 several years. The Naco water system is very old for the most part. Substantially
27
28

1 reducing water loss even more will be very costly and will not "save" much water.

2 However, as Naco has repeatedly stated, if the Company is provided a revenue stream to
3 pay the costs associated with addressing water loss, then it would implement such a
4 program.
5

6 **Q. Do you agree with Staff's recommendation that the Company submit at least**
7 **five BMP tariffs for consideration?**
8

9 **A.** No. The Company understands that the Commission does not require companies
10 to adopt BMPs any longer.
11

12 **Q. Do you agree with Staff's reports regarding the system in place for the area**
13 **that is commonly referred to as Well Site No. 3 System?**

14 **A.** No. We disagree with the adjustments as noted by Matthew Rowell. Further, it is
15 very difficult to understand or determine why the adjustments were made. For example,
16 in Table 5, Staff adjusts Structures and Improvements (304) by \$4,000. The rationale is
17 that the concrete pads, fencing, and shed were not in service in 2011. That is obviously
18 true, which is why there is a need for a pro forma adjustment. But they are in service
19 now. Further, Staff takes the position that safety equipment is not useful. This makes no
20 sense. Naco operators should have access to safety equipment at the site where they
21 often work. Finally, it appears as though there are discrepancies in the plant descriptions.
22 Naco is in the process of confirming the accuracy of the plant as described in the Staff
23 testimony and will supplement its response herein if necessary.
24
25
26

27 **Q. Do you agree with Matthew Rowell's rebuttal testimony?**
28

A. Yes.

1 **Q. Does this conclude your testimony?**

2 **A. Yes.**

3

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Steve Wene, No. 019630
MOYES SELLERS & HENDRICKS LTD.
1850 N. Central Avenue, Suite 1100
Phoenix, Arizona 85004
(602)-604-2189
swene@law-msh.com
Attorneys for Company

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

AUG 29 2014

DOCKETED BY

COMMISSIONERS

BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
SUSAN BITTER-SMITH
BOB BURNS

**APPLICATION OF NACO WATER
COMPANY, LLC FOR A PERMANENT
INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399
**NOTICE OF FILING REJOINDER
TESTIMONY**

Naco Water Company, L.L.C. ("Company" or "Naco"), hereby files rejoinder
testimonies described below:

- Rejoinder Testimony of Matthew Rowell (*see* Attachment 1); and
- Rejoinder Testimony of Bonnie O'Connor (*see* Attachment 2).

////

////

////

EXHIBIT

A-4

ADMITTED

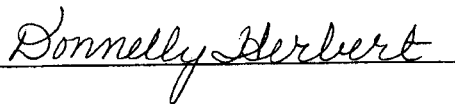
1
2 RESPECTFULLY SUBMITTED this 29th day of August, 2014.
3

4 **MOYES SELLERS & HENDRICKS LTD.**

5 
6 _____
7 Steve Wene
8

9 Original and 13 copies of the foregoing
10 filed this 29th day of August, 2014, with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007
15

16 
17 _____
18
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ATTACHMENT 1

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3
4 **COMMISSIONERS**

5 BOB STUMP, CHAIRMAN

6 GARY PIERCE

7 BRENDA BURNS

8 SUSAN BITTER-SMITH

9 BOB BURNS

10 **APPLICATION OF NACO WATER**
11 **COMPANY, LLC FOR A PERMANENT**
12 **INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399

13 **REJOINDER TESTIMONY**
14 **OF MATTHEW ROWELL**

15 **I. INTRODUCTION**

16 **Q. Are you the same Matthew Rowell who provided testimony in support of the**
17 **rate application filed in this matter?**

18 **A. Yes.**

19 **Q. What is the purpose of this testimony?**

20 **A. This testimony responds to Staff's surrebuttal testimony relating to rates. To be**
21 **clear, I am maintaining my position stated in both the application and the rebuttal unless**
22 **expressly revised by this testimony.**

23 **Q. Did you prepare rejoinder schedules in support of your testimony?**

24 **A. I am submitting one schedule discussed below. The schedules previously**
25 **submitted are still current.**
26
27
28

1 **II. RATE BASE**

2 **Q. As part of their Rate Base Adjustment No. 1, Staff continues to recommend**
3 **that the Distribution Reservoirs and Standpipes account (Account 300) be divided**
4 **into sub accounts for Storage Tanks (330.1) and Pressure Tanks (330.2). Please**
5 **respond.**

6
7 **A.** The Company continues to object to this requirement. As stated in my rebuttal
8 testimony, the Company's current practice of maintaining one account has not led to any
9 problems. Staff was able to effectively audit the Company's plant additions without the
10 subaccount breakdown. In Naco's previous rate case, Staff did not object to the lack of a
11 subaccount breakdown. Further, the Annual Report form and Rate Case Application
12 form available on the Commission's website do not include the 330.1 and 330.2
13 subaccounts. Whether or not to use these subaccounts should be left to the discretion of
14 the Company's management. The Staff has not presented persuasive evidence to justify
15 Naco being subjected to the subaccount requirement while other utilities are left to
16 exercise their own discretion.

17
18 **Q. The Staff continues to contend that the water trailer was counted twice. How**
19 **do you respond?**

20
21 **A.** The trailer was not counted twice. It was booked once as Transportation
22 Equipment. Staff is relying on my statement in a May 8, 2014 email that "all of the Prop.
23 Held for Future Use was applied to T&D mains in 2011 except for the \$32,885 for the
24 well #4 rehab that went to Wells and Springs and \$330 that went to outside services."
25
26 However, the trailer was never included in Property Held for Future Use, so this
27
28

1 statement has no bearing on the disposition of the trailer. The trailer was included in
2 Invoice 33327 from Tierra Dynamics. See Attachment 1. Invoice 33327 totaled
3 \$84,395.47. The trailer made up \$6,720.74 of that amount and is shown on pages 7 and 8
4 of invoice 33327. Attachment 2 to this testimony is a breakdown of the various
5 components of the Property Held for Future Use account. The only amount on
6 Attachment 2 from Invoice 33327 is the \$32,885 for Well 4 Rehab (highlighted in green
7 on the attachment). In sum, the trailer was never included in Property Held for Future
8 Use and my statement in the May 8, 2014 email about Property Held For Future Use has
9 nothing to do with the trailer.
10
11
12

13 **Q. What about Staff's statement that "The Sub-Ledger and invoices provided by**
14 **the Company show that the cost of the trailer and the well No. 4 rehab were**
15 **included in Property Held For Future Use."**
16

17 **A.** Invoice 33327 (Attachment 1) contains no reference as to whether or not the trailer
18 was booked to Property Held for Future Use. Further, a Sub-Ledger for the Property
19 Held for Future use account was never provided to Staff. Attachment 3 to this testimony
20 is the complete email chain leading to the May 8, 2014 email referenced above. The May
21 8, 2014 email is clear; no Sub-Ledger for the plant Held for Future Use account exists.
22 For these reasons, Staff's claim that the Sub-Ledger and invoices provided by the
23 Company show that the cost of the trailer and the well No. 4 rehab were included in
24 Property Held for Future Use should be afforded little weight.
25
26

27 **Q. Has the Company changed its position on Staff's Rate base Adjustment No. 2**
28 **dealing with rate case expense and WIFA grant application expenses?**

1 A. No. Staff contends that charges on pages 10 through 12 of invoice 32307A pertain
2 to costs of the 2006 rate case. However, reviewing those pages reveals only a small
3 portion of those charges are directly attributable to the rate case. Also, the Company
4 believes the WIFA Grant application costs were properly capitalized because they are
5 costs associated with planning for infrastructure construction.
6

7 **III. EXPENSE ADJUSTMENTS**

8
9 **Q. How do you respond to Staff's recommendation that the Office Supplies and**
10 **Expense Account and Outside Services Accounts be reclassified?**

11 A. The Company continues to oppose this recommendation for the reasons stated in
12 my Rebuttal Testimony. These two accounts are commonly used by utilities in Arizona.
13 Both of these accounts are included on the Annual Report form and Short Form Rate
14 Case application Staff makes available on its web page. Staff has not justified why Naco
15 should be singled out for its use of these accounts while hundreds of other utilities use
16 these accounts without comment from Staff. I have attached a sample WIFA invoice
17 showing that the fees and interest are separate. *See Attachment 4.*
18

19
20
21 **Q. How do you respond to Staff's contention that the entire Combined Interest**
22 **and Fee Rate ("CIFR") be treated as interest expense for this rate case?**

23 A. Staff indicates that they spoke with WIFA's CFO, Ms. Patricia Incognito about
24 this matter. I also spoke with Ms. Incognito. She did not have a specific opinion about
25 the rate making treatment of the CIFR. I believe the Company's original position is
26 correct. The CIFR is made up of two components: Interest and Fees. The interest should
27 be treated as interest expense and the fees should be treated like other banking fees and
28

1 booked as Office Supplies and Expense.

2 **Q. How do you respond to Staff's rejection of the Company's revised Rate Case**
3 **Expense?**

4
5 **A.** Staff states that it is not reasonable to request a revised Rate Case Expense based
6 on "the need to respond to Staff's discovery questions to *support the company's*
7 *application.*"¹ This statement misrepresents the nature of Staff's discovery. Staff's
8 discovery went far beyond what was needed to support the Company's application. The
9 Company's application was based on its failure to ever attain the revenue requirement
10 authorized in its previous rate case combined with expense levels that resulted in very
11 limited free cash flow. These issues were not the subject of Staff's discovery.
12

13
14 There was a significant amount of plant placed in service after the test year that
15 the Company did not seek to include in Plant in Service. This was specifically done to
16 keep the rate case expense down. Yet the Staff asked a multitude of questions about this
17 plant and decided to make it an issue in this rate case. Furthermore, Staff undertook an
18 extensive reconstruction of Naco's plant accounting over the years since the last rate
19 case. This endeavor was carried out by two different Staff members who acted
20 independently. It resulted in numerous, and in many cases duplicative, data requests that
21 required a significant amount of time from myself, Southwestern Utility Management
22 personnel and Naco's attorney. Ultimately the plant adjustments recommended by Staff
23 have almost no impact on the revenue requirement.
24
25
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27

28

¹ Surrebuttal Testimony of Phan Tsan at 5 (emphasis added).

1 Thus, responding to Staff's data requests was not necessary "to support the
2 company's application." The Company's revenue requirement request is not based on
3 historical plant additions or on the post-test year plant. Responding to Staff's data
4 requests was necessary only because Staff chose to include the post-test year plant that
5 the Company did not ask for in this case and because Staff chose to conduct an
6 exhaustive analysis of Naco's historical plant additions.
7

9 **IV. Revenue Requirement**

10 **Q. If Staff's recommendations are adopted will the Company have sufficient free**
11 **cash flow?**

12
13 **A.** No. Staff's recommended revenue requirement is not sufficient to allow the
14 necessary cash flow to fund the meter replacement and leak detection programs
15 recommended by Staff. If the Company is required to undertake the meter replacement
16 and leak detection programs recommended by Staff and is allowed Staff's recommended
17 revenue requirement, its free cash flow will be only \$13,650 and the Company's before
18 tax Debt Service Coverage Ratio will be only 1.24. This will put the Company
19 dangerously close to violating WIFA's DSCR requirement, which is why this rate case
20 had to be filed in the first place. See Attachment 5 (Rejoinder Schedule MJR 1,
21 comparing the DSCR and free cash flow under Staff's and the Company's proposed
22 revenues).
23
24
25

26 **Q. Is the Company willing to undertake the meter replacement and leak**
27 **detection programs?**

28 **A.** These are decisions that should be left to the discretion of the Company's

1 management. The Commission should not assume the management role of the Company
2 and order that specific tasks be undertaken. However, if the Company's proposed
3 revenue requirement is adopted, the Company would commit to adopt the meter
4 replacement program. The company's proposed revenue requirement allows enough cash
5 flow to fund the meter replacement program while still leaving sufficient funds for
6 contingencies. *See Attachment 5.*
7

8
9 It is not clear that the leak detection program would be cost effective. Completing
10 the meter replacement program will allow the Company to assess the true extent of its
11 water loss. At that point it may be determined that a leak detection program would be
12 beneficial.
13

14 **Q. Does this conclude your testimony?**

15 **A. Yes.**
16
17
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ATTACHMENT 1



Integrated Environmental Services™

Mr. Salim Dominguez
c/o Southwest Utilities Management
P.O. Box 85160
Tucson, Arizona 85475

21 April 2008

**Re: Project Billing
Naco Water Company**

Salim:

The enclosed invoice is for time and expenses expended for Naco Water Company. Amounts billed to each of the individual project tasks are labeled "Amount Due". The total amount invoiced is shown on the last page of the invoice and is labeled "Amount Due This Invoice".

Invoice No. 33327 is for task activities and expenses for the period from August 28, 2007 through April 18, 2008. These tasks include the following:

- Hydrogeologic Assessment
- Bisbee Junction Line Leak / System Reconnaissance
- Bisbee Junction - Engineer System Upgrades
- Bisbee Junction Well NWC-4 Rehab Evaluation
- Bisbee Junction Well NWC-4 Field Rehab
- Bisbee Junction Water Trailer Design and Delivery
- Phelps Dodge Negotiations
- Cochise County Highway Permitting

I look forward to working with you through the completion of this project. Please call me if you have any questions.

Best Regards,

A handwritten signature in black ink, appearing to read "K. Chris Miller", is written over a horizontal line.

K. Chris Miller, R.G.
Senior Project Manager

Enclosure: Invoice 33327

Offices Worldwide

2222 West Parkside Lane, Suite 105
Phoenix, Arizona 85027
(602) 864-3887 / Fax (602) 864-3990

P.O. Box 531 / 32 Mill Road
Westhampton Beach, New York 11978
(631) 288-1112 / Fax (631) 288-5676

www.tierradynamic.com

Rua A.P. Oriente, 360/C
CEP 13830-000 Campinas-SP, Brasil
(55) 19-3898-5110 / Fax 3896-5110



TIERRA DYNAMIC

Integrated Environmental Services™
PO Box 35188 / 2328 W. Royal Palm Road - Suite C
Phoenix, Arizona 85069

Page 1 of 10

Invoice Date	Invoice Num
Apr 21, 2008	33327
Billing From	Billing To
Aug 28, 2007	Apr 18, 2008

SALIM DOMINGUEZ
c/o SOUTHWEST UTILITY MANAGEMENT
PO BOX 85160
TUCSON AZ 85745

INVOICE

Project ID: **N1015:503** Manager: **ERZ** Proj Name: **HYDROGEOLOGIC ASSESSMENT (HA)**

Date	Employee ID Description	Units	Rate	Amount
------	-------------------------	-------	------	--------

Services:

Reimbursable Expenses:

8/28/2007	NC - COPY SERVICE / MAPS / AERIAL PHOTOGRAPHY	1.00	\$165.39	\$191.85
Total Expenses:				\$191.85

N1015:503 Amount Due: **\$191.85**

Project ID: **N1015:504.10** Manager: **ERZ** Proj Name: **BJ LINE LEAK / SYSTEM RECON**

Date	Employee ID Description	Units	Rate	Amount
------	-------------------------	-------	------	--------

Services:

1/8/2008	DLM	CC 4-Staff Level - Field:	7.60	\$77.00	\$585.20
1/8/2008	DLM	CC 4 - Staff Level: Travel	4.65	\$77.00	\$358.05
1/9/2008	DLM	CC 4 - Staff Level: Travel	4.50	\$77.00	\$346.50
1/9/2008	DLM	CC 4-Staff Level - Field:	5.50	\$77.00	\$423.50
1/14/2008	DLM	CC 4-Staff Level - Post-Field:	1.50	\$77.00	\$115.50
2/13/2008	KCM	CC 2- Senior Level - Pre-Field:	1.50	\$111.00	\$166.50
2/14/2008	DLM	CC 4- Staff Level - Office/Reports:	1.75	\$79.00	\$138.25
2/14/2008	DLM	CC 4- Staff Level - Office/Reports:	0.25	\$79.00	\$19.75
2/14/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
2/15/2008	JEC	CC 3-Project Level - Office:	5.50	\$92.00	\$506.00
2/15/2008	DLM	CC 4- Staff Level - Pre-Field:	0.25	\$79.00	\$19.75
2/15/2008	DLM	CC 4- Staff Level - Office/Reports:	1.00	\$79.00	\$79.00
2/15/2008	KCM	CC 2-Senior Level - Pre-Field:	5.25	\$108.00	\$567.00

BillQuick Standard Report Copyright 2005. Last Modified on: 4/21/2008

Invoice Date	Invoice Num
Apr 21, 2008	33327
Billing From	Billing To
Aug 28, 2007	Apr 18, 2008

SALIM DOMINGUEZ
c/o SOUTHWEST UTILITY MANAGEMENT
PO BOX 85160
TUCSON AZ 85745

INVOICE

2/18/2008	JEC	CC 3 - Project Level: Travel	3.75	\$92.00	\$345.00
2/18/2008	JEC	CC 3-Project Level - Field:	5.50	\$92.00	\$506.00
2/18/2008	DLM	CC 4 - Staff Level: Travel	3.75	\$77.00	\$288.75
2/18/2008	DLM	CC 4-Staff Level - Field:	5.50	\$77.00	\$423.50
2/18/2008	JEC	CC 3-Project Level - Pre-Field:	0.50	\$92.00	\$46.00
2/18/2008	DLM	CC 4-Staff Level - Pre-Field:	0.50	\$77.00	\$38.50
2/19/2008	DLM	CC 4-Staff Level - Field:	2.25	\$77.00	\$173.25
2/19/2008	DLM	CC 4 - Staff Level: Travel	4.00	\$77.00	\$308.00
2/19/2008	JEC	CC 3-Project Level - Post-Field:	0.50	\$92.00	\$46.00
2/19/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
2/19/2008	JEC	CC 3 - Project Level: Travel	4.00	\$92.00	\$368.00
2/28/2008	DLM	CC 4-Staff Level - Post-Field:	0.50	\$77.00	\$38.50
Total Services:					\$6,122.50

Reimbursable Expenses:

2/19/2008	CS 13- CONSULTANT SINGLE PERSON MILEAGE	245.00	\$0.41	\$100.45
2/19/2008	CS 13- CONSULTANT SINGLE PERSON MILEAGE	249.00	\$0.41	\$102.09
2/19/2008	CS 13- CONSULTANT SINGLE PERSON MILEAGE	33.00	\$0.41	\$13.53
Total Expenses:				\$216.07

N1015:504.10 Amount Due: \$6,338.57 7

Project ID: N1015:504.11 Manager: ERZ

Proj Name: BJ ENGINEER SYSTEM UPGRADES

Date	Employee ID	Description	Units	Rate	Amount
Services:					
12/4/2007	JDK	CC 1-Principal Level - Office:	3.80	\$126.00	\$478.80
12/31/2007	JDK	CC 1-Principal Level - Office:	1.25	\$126.00	\$157.50
1/3/2008	DLM	CC 4-Staff Level - Pre-Field:	3.75	\$77.00	\$288.75
1/3/2008	JDK	CC 1-Principal Level - Office:	2.50	\$126.00	\$315.00
1/15/2008	JDK	CC 1-Principal Level - Office:	1.25	\$126.00	\$157.50
1/17/2008	JDK	CC 1-Principal Level - Office:	1.50	\$126.00	\$189.00
2/13/2008	DLM	CC 4- Staff Level - Office/Reports:	2.00	\$79.00	\$158.00
2/14/2008	DLM	CC 4- Staff Level - Office/Reports:	0.50	\$79.00	\$39.50
2/15/2008	JDK	CC 1-Principal Level - Office:	1.25	\$126.00	\$157.50
2/19/2008	JDK	CC 1-Principal Level - Office:	2.50	\$126.00	\$315.00
2/20/2008	JEC	CC 3-Project Level - Office:	6.50	\$92.00	\$598.00
2/20/2008	KCM	CC 2-Senior Level - Office:	2.00	\$108.00	\$216.00

Invoice Date	Invoice Num
Apr 21, 2008	33327
Billing From	Billing To
Aug 28, 2007	Apr 18, 2008

SALIM DOMINGUEZ
c/o SOUTHWEST UTILITY MANAGEMENT
PO BOX 85160
TUCSON AZ 85745

INVOICE

2/21/2008	JEC	CC 3-Project Level - Office:	7.50	\$92.00	\$690.00
2/21/2008	KCM	CC 2-Senior Level - Office:	2.00	\$108.00	\$216.00
2/21/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
2/22/2008	JEC	CC 3-Project Level - Office:	6.00	\$92.00	\$552.00
2/27/2008	JEC	CC 3-Project Level - Office:	8.00	\$92.00	\$736.00
2/28/2008	DLM	CC 6-Technical Personnel - Office:	3.00	\$57.00	\$171.00
2/28/2008	KCM	CC 2-Senior Level - Office:	4.75	\$108.00	\$513.00
2/28/2008	JEC	CC 3-Project Level - Office:	7.50	\$92.00	\$690.00
2/29/2008	KCM	CC 2-Senior Level - Office:	3.00	\$108.00	\$324.00
2/29/2008	JEC	CC 3 - Project Level: Travel	4.00	\$92.00	\$368.00
2/29/2008	JEC	CC 3-Project Level - Pre-Field:	1.00	\$92.00	\$92.00
2/29/2008	KCM	CC 2 - Senior Level: Travel	4.00	\$108.00	\$432.00
2/29/2008	JDK	CC 1-Principal Level - Office:	3.00	\$126.00	\$378.00
2/29/2008	JEC	CC 4-Staff Level - Field:	3.00	\$77.00	\$231.00
2/29/2008	JDK	CC 1- Principal Level: Travel	4.00	\$126.00	\$504.00
3/5/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
3/6/2008	KCM	CC 2-Senior Level - Office:	0.25	\$108.00	\$27.00
3/7/2008	KCM	CC 2-Senior Level - Office:	0.50	\$108.00	\$54.00
3/10/2008	JEC	CC 3-Project Level - Office:	6.50	\$92.00	\$598.00
3/11/2008	JEC	CC 3-Project Level - Office:	6.00	\$92.00	\$552.00
3/11/2008	KCM	CC 2-Senior Level - Office:	3.25	\$108.00	\$351.00
3/12/2008	JEC	CC 3-Project Level - Office:	6.00	\$92.00	\$552.00
3/13/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
3/13/2008	JEC	CC 3-Project Level - Office:	8.50	\$92.00	\$782.00
3/13/2008	DLM	CC 6-Technical Personnel - Field:	1.00	\$57.00	\$57.00
3/13/2008	JEC	CC 3 - Project Level: Travel	0.75	\$92.00	\$69.00
3/14/2008	JEC	CC 3-Project Level - Office:	7.00	\$92.00	\$644.00
3/14/2008	DLM	CC 6-Technical Personnel - Office:	2.50	\$57.00	\$142.50
3/17/2008	DLM	CC 4-Staff Level - Pre-Field:	1.25	\$77.00	\$96.25
3/17/2008	JEC	CC 3-Project Level - Office:	7.50	\$92.00	\$690.00
3/17/2008	DLM	CC 6-Technical Personnel - Office:	3.00	\$57.00	\$171.00
3/18/2008	JEC	CC 3-Project Level - Office:	4.50	\$92.00	\$414.00
3/18/2008	DLM	CC 6-Technical Personnel - Office:	3.00	\$57.00	\$171.00
3/19/2008	JEC	CC 3-Project Level - Office:	3.50	\$92.00	\$322.00
3/19/2008	DLM	CC 6- Technical Level - Office/Reports:	1.50	\$58.00	\$87.00
3/20/2008	JEC	CC 3-Project Level - Office:	4.50	\$92.00	\$414.00
3/20/2008	DLM	CC 6- Technical Level - Office/Reports:	3.00	\$58.00	\$174.00
3/21/2008	DLM	CC 6-Technical Personnel - Office:	1.50	\$57.00	\$85.50
3/21/2008	JEC	CC 3-Project Level - Office:	1.50	\$92.00	\$138.00
3/24/2008	DLM	CC 6-Technical Personnel - Office:	1.50	\$57.00	\$85.50
3/24/2008	JEC	CC 3-Project Level - Office:	7.50	\$92.00	\$690.00
3/25/2008	DLM	CC 6-Technical Personnel - Office:	0.50	\$57.00	\$28.50
3/25/2008	JEC	CC 3-Project Level - Office:	8.00	\$92.00	\$736.00

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3/26/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
3/26/2008	KCM	CC 2-Senior Level - Office:	0.50	\$108.00	\$54.00
3/26/2008	JEC	CC 3-Project Level - Office:	7.00	\$92.00	\$644.00
3/27/2008	KCM	CC 2-Senior Level - Office:	0.75	\$108.00	\$81.00
3/27/2008	JEC	CC 3- Project Level - Office/Reports:	8.50	\$94.00	\$799.00
3/27/2008	DMR	CC 5-Field Level - Office:	3.50	\$65.00	\$227.50
3/28/2008	JEC	CC 3- Project Level - Office/Reports:	10.00	\$94.00	\$940.00
3/29/2008	DMR	CC 5-Field Level - Office:	4.00	\$65.00	\$260.00
3/30/2008	DMR	CC 5-Field Level - Office:	7.00	\$65.00	\$455.00
3/31/2008	JEC	CC 3-Project Level - Office:	9.50	\$92.00	\$874.00
3/31/2008	KCM	CC 2-Senior Level - Office:	1.50	\$108.00	\$162.00
3/31/2008	DLM	CC 6-Technical Personnel - Office:	8.00	\$57.00	\$456.00
4/1/2008	JDK	CC 1-Principal Level - Office:	3.50	\$126.00	\$441.00
4/1/2008	DMR	CC 6-Technical Personnel - Office:	4.50	\$57.00	\$256.50
4/1/2008	KCM	CC 2-Senior Level - Office:	3.00	\$108.00	\$324.00
4/1/2008	JEC	CC 3-Project Level - Office:	9.50	\$92.00	\$874.00
4/2/2008	DLM	CC 6-Technical Personnel - Office:	5.50	\$57.00	\$313.50
4/2/2008	KCM	CC 2-Senior Level - Office:	0.75	\$108.00	\$81.00
4/2/2008	JEC	CC 3-Project Level - Office:	7.00	\$92.00	\$644.00
4/8/2008	KCM	CC 2-Senior Level - Office:	2.00	\$108.00	\$216.00
4/14/2008	JEC	CC 3-Project Level - Office:	7.50	\$92.00	\$690.00
4/15/2008	JEC	CC 3-Project Level - Office:	4.00	\$92.00	\$368.00
4/15/2008	JEC	CC 3-Project Level - Field:	1.00	\$92.00	\$92.00
4/16/2008	JEC	CC 3-Project Level - Office:	9.00	\$92.00	\$828.00

Total Services: \$27,552.80

Reimbursable Expenses:

1/8/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	252.00	\$0.41	\$103.32
1/9/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	266.00	\$0.41	\$109.06
2/20/2008	NC - LODGING	1.00	\$105.50	\$122.38 ?
2/20/2008	NC - LODGING	1.00	\$105.50	\$122.38 ?
3/13/2008	CS 13- CONSULTANT SINGLE PERSON MILEAGE	42.00	\$0.41	\$17.22
3/13/2008	NC - COPY SERVICE / MAPS / AERIAL PHOTOGRAPHY	1.00	\$6.34	\$7.35 ?

Total Expenses: \$481.71

N1015:504.11 Amount Due: \$28,034.51 P

Project ID: N1015:504.20 Manager: ERZ

Proj Name: BJ WELL NWC-4 REHAB EVALUATION

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Date	Employee ID	Description	Units	Rate	Amount
Services:					
1/7/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/7/2008	KCM	CC 2- Senior Level - Office/Reports:	3.00	\$111.00	\$333.00
1/15/2008	KCM	CC 2- Senior Level - Office/Reports:	2.00	\$111.00	\$222.00
1/16/2008	KCM	CC 2- Senior Level - Office/Reports:	4.50	\$111.00	\$499.50
1/21/2008	RLG	CC 4-Staff Level - Post-Field:	1.00	\$77.00	\$77.00
1/22/2008	JDK	CC 1-Principal Level - Office:	1.50	\$126.00	\$189.00
1/22/2008	KCM	CC 2- Senior Level - Office/Reports:	4.75	\$111.00	\$527.25
3/5/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
3/6/2008	KCM	CC 2-Senior Level - Office:	3.75	\$108.00	\$405.00
3/7/2008	KCM	CC 2-Senior Level - Office:	3.00	\$108.00	\$324.00
3/10/2008	KCM	CC 2-Senior Level - Office:	4.00	\$108.00	\$432.00
3/11/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
3/13/2008	KCM	CC 2-Senior Level - Office:	3.25	\$108.00	\$351.00
Total Services:					<u>\$3,670.25</u>

N1015:504.20

Amount Due:

\$3,670.25 P

Project ID: N1015:504.21

Manager: ERZ

Proj Name:

BJ WELL NWC-4 FIELD REHAB

Date	Employee ID	Description	Units	Rate	Amount
Services:					
3/16/2008	KCM	CC 2-Senior Level - Pre-Field:	2.00	\$108.00	\$216.00
3/17/2008	KCM	CC 2 - Senior Level: Travel	4.50	\$108.00	\$486.00
3/18/2008	KCM	CC 2-Senior Level - Field:	11.50	\$108.00	\$1,242.00
3/19/2008	KCM	CC 2-Senior Level - Field:	9.75	\$108.00	\$1,053.00
3/20/2008	KCM	CC 2-Senior Level - Field:	10.00	\$108.00	\$1,080.00
3/20/2008	RLG	CC 4 - Staff Level: Travel	2.15	\$77.00	\$165.55
3/20/2008	RLG	CC 4-Staff Level - Field:	1.00	\$77.00	\$77.00
3/20/2008	CL	CC 5-Field Level - Field:	5.00	\$65.00	\$325.00
3/20/2008	KCM	CC 2 - Senior Level: Travel	4.50	\$108.00	\$486.00
3/21/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00

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3/21/2008	CL	CC 5-Field Level - Field:	10.75	\$65.00	\$698.75
3/22/2008	CL	CC 5-Field Level - Field:	3.50	\$65.00	\$227.50
3/22/2008	CL	CC 5 - Field Level: Travel	4.50	\$65.00	\$292.50
3/24/2008	KCM	CC 2-Senior Level - Pre-Field:	2.50	\$108.00	\$270.00
3/24/2008	CL	CC 5 - Field Level: Travel	1.00	\$65.00	\$65.00
3/24/2008	CL	CC 5-Field Level - Post-Field:	2.00	\$65.00	\$130.00
3/24/2008	KCM	CC 2-Senior Level - Field:	4.50	\$108.00	\$486.00
3/24/2008	KCM	CC 2 - Senior Level: Travel	4.00	\$108.00	\$432.00
3/25/2008	KCM	CC 2-Senior Level - Field:	7.25	\$108.00	\$783.00
3/25/2008	KCM	CC 2 - Senior Level: Travel	4.00	\$108.00	\$432.00
3/26/2008	KCM	CC 2 - Senior Level: Travel	1.50	\$108.00	\$162.00
3/26/2008	KCM	CC 2-Senior Level - Post-Field:	1.00	\$108.00	\$108.00
4/1/2008	KCM	CC 2-Senior Level - Post-Field:	1.00	\$108.00	\$108.00
4/2/2008	KCM	CC 2-Senior Level - Post-Field:	3.50	\$108.00	\$378.00
4/3/2008	KCM	CC 2-Senior Level - Post-Field:	0.50	\$108.00	\$54.00
4/4/2008	KCM	CC 2-Senior Level - Post-Field:	1.25	\$108.00	\$135.00

Total Services: **\$10,000.30**

Reimbursable Expenses:

1/23/2008	NC - RENTAL EQUIPMENT SUPPLIER	1.00	\$97.29	\$112.86 ?
3/17/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	293.00	\$0.41	\$120.13
3/17/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/17/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/18/2008	NC - PROJECT SUPPLIES	1.00	\$1,594.52	\$1,849.64 ?
3/18/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/18/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	286.00	\$0.41	\$117.26
3/18/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/19/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/19/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/20/2008	NC - LODGING	1.00	\$345.48	\$400.76 ?
3/20/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/20/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/21/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/21/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/21/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	50.00	\$0.41	\$20.50
3/21/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/22/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	228.00	\$0.41	\$93.48
3/22/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	49.00	\$0.41	\$20.09
3/22/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/22/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/23/2008	NC - LODGING	1.00	\$72.18	\$83.73 ?
3/24/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00

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3/24/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	250.00	\$0.41	\$102.50
3/24/2008	NC - CONSUMABLES (PER DAY)	1.00	\$10.00	\$10.00
3/24/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/25/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
3/25/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	250.00	\$0.41	\$102.50
3/25/2008	NC - LODGING	1.00	\$131.20	\$152.19
3/25/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
3/25/2008	NC - CONSUMABLES (PER DAY)	1.00	\$10.00	\$10.00
3/26/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	40.00	\$0.41	\$16.40
4/1/2008	NC - DRILLING SUBCONTRACTOR	1.00	\$16,545.00	\$19,192.20
Total Expenses:				\$22,884.24

N1015:504.21

Amount Due: \$32,884.54Project ID: N1015:504.30Manager: ERZProj Name: BJ WATER TRAILER DESIGN -
DELIVERY

Date	Employee ID	Description	Units	Rate	Amount
Services:					
1/4/2008	DLM	CC 4-Staff Level - Office:	1.75	\$77.00	\$134.75
1/4/2008	KCM	CC 2- Senior Level - Office/Reports:	1.25	\$111.00	\$138.75
1/4/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/22/2008	DLM	CC 4- Staff Level - Office/Reports:	1.50	\$79.00	\$118.50
1/22/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/23/2008	KCM	CC 2- Senior Level - Office/Reports:	1.00	\$111.00	\$111.00
1/23/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/23/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/23/2008	DLM	CC 4- Staff Level - Office/Reports:	1.50	\$79.00	\$118.50
1/24/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/24/2008	DLM	CC 4- Staff Level - Travel:	2.00	\$79.00	\$158.00
1/24/2008	DLM	CC 4- Staff Level - Office/Reports:	1.00	\$79.00	\$79.00
1/24/2008	KCM	CC 2- Senior Level - Office/Reports:	0.75	\$111.00	\$83.25
1/28/2008	DLM	CC 4- Staff Level - Office/Reports:	2.00	\$79.00	\$158.00
1/28/2008	JEC	CC 3- Project Level - Office/Reports:	2.00	\$94.00	\$188.00
1/28/2008	KCM	CC 2- Senior Level - Office/Reports:	2.00	\$111.00	\$222.00
1/28/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/30/2008	KCM	CC 2- Senior Level - Office/Reports:	0.50	\$111.00	\$55.50
2/1/2008	DLM	CC 4- Staff Level - Office/Reports:	0.75	\$79.00	\$59.25
2/1/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00

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2/1/2008	KCM	CC 2- Senior Level - Office/Reports:	0.50	\$111.00	\$55.50
2/4/2008	DLM	CC 4- Staff Level - Field:	1.25	\$79.00	\$98.75
2/4/2008	DLM	CC 4- Staff Level - Post-Field:	1.50	\$79.00	\$118.50
2/4/2008	DLM	CC 4- Staff Level - Travel:	0.50	\$79.00	\$39.50
2/4/2008	DLM	CC 4- Staff Level - Travel:	1.25	\$79.00	\$98.75
2/4/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
2/11/2008	KCM	CC 2-Senior Level - Office:	2.50	\$108.00	\$270.00
2/11/2008	DLM	CC 4- Staff Level - Pre-Field:	6.00	\$79.00	\$474.00
2/11/2008	JEC	CC 3-Project Level - Office:	1.00	\$92.00	\$92.00
2/11/2008	JDK	CC 1-Principal Level - Office:	2.25	\$126.00	\$283.50
2/12/2008	KCM	CC 2-Senior Level - Office:	3.00	\$108.00	\$324.00
2/12/2008	JEC	CC 3-Project Level - Office:	3.50	\$92.00	\$322.00
2/12/2008	DLM	CC 4- Staff Level - Travel:	4.50	\$79.00	\$355.50
2/12/2008	DLM	CC 4- Staff Level - Post-Field:	0.25	\$79.00	\$19.75
2/12/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
2/12/2008	DLM	CC 4- Staff Level - Field:	6.00	\$79.00	\$474.00
2/12/2008	RLG	CC 3- Project Level - Office/Reports:	0.50	\$94.00	\$47.00
2/12/2008	KCM	CC 2-Senior Level - Office:	1.50	\$108.00	\$162.00
2/12/2008	DLM	CC 4- Staff Level - Post-Field:	1.00	\$79.00	\$79.00
2/12/2008	DLM	CC 4- Staff Level - Pre-Field:	0.25	\$79.00	\$19.75
2/12/2008	DLM	CC 4- Staff Level - Travel:	4.75	\$79.00	\$375.25
2/13/2008	JEC	CC 3-Project Level - Office:	2.50	\$92.00	\$230.00
2/13/2008	DLM	CC 4- Staff Level - Post-Field:	2.25	\$79.00	\$177.75
Total Services:				\$6,371.00	

Reimbursable Expenses:

2/4/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	84.00	\$0.41	\$34.44
2/11/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	66.00	\$0.41	\$27.06
2/12/2008	NC - MISCELLANEOUS SUBCONTRACTOR	1.00	\$7.50	\$8.70
2/12/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	494.00	\$0.41	\$202.54
2/12/2008	NC - CELL PHONE (PER DAY)	1.00	\$15.00	\$15.00
2/12/2008	NC - CAMERA/FILM (PER EACH)	1.00	\$10.00	\$10.00
2/12/2008	CS 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$42.00	\$42.00
2/12/2008	NC - CONSUMABLES (PER DAY)	1.00	\$10.00	\$10.00
Total Expenses:				\$349.74

N1015:504.30 Amount Due: **\$6,720.74**

Project ID: **N1015:508** Manager: **ERZ**

Proj Name: **PHELPS DODGE NEGOTIATIONS**

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Date	Employee ID	Description	Units	Rate	Amount
Services:					
12/19/2007	JDK	CC 1-Principal Level - Office:	3.75	\$126.00	\$472.50
1/7/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/8/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/10/2008	JDK	CC 1-Principal Level - Office:	0.50	\$126.00	\$63.00
1/18/2008	KCM	CC 2-Senior Level - Office:	3.75	\$108.00	\$405.00
1/20/2008	KCM	CC 2-Senior Level - Office:	2.00	\$108.00	\$216.00
1/21/2008	DLM	CC 4-Staff Level - Pre-Field:	0.75	\$77.00	\$57.75
1/21/2008	DLM	CC 4 - Staff Level: Travel	0.50	\$77.00	\$38.50
1/21/2008	DLM	CC 4-Staff Level - Field:	3.00	\$77.00	\$231.00
1/21/2008	KCM	CC 2-Senior Level - Office:	3.50	\$108.00	\$378.00
1/21/2008	MTL	CC 4-Staff Level - Office/Reports:	4.00	\$75.00	\$300.00
1/21/2008	DLM	CC 4 - Staff Level: Travel	0.50	\$77.00	\$38.50
1/21/2008	JDK	CC 1-Principal Level - Office:	4.50	\$126.00	\$567.00
1/23/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/28/2008	JDK	CC 1-Principal Level - Office:	2.75	\$126.00	\$346.50
1/28/2008	KCM	CC 2-Senior Level - Office:	1.00	\$108.00	\$108.00
1/28/2008	JDK	CC 1- Principal Level: Travel	3.50	\$126.00	\$441.00
1/29/2008	JDK	CC 1-Principal Level - Office:	3.75	\$126.00	\$472.50
1/29/2008	JDK	CC 1- Principal Level: Travel	3.50	\$126.00	\$441.00
1/31/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
1/31/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
2/5/2008	JDK	CC 1-Principal Level - Office:	1.50	\$126.00	\$189.00
2/14/2008	JDK	CC 1-Principal Level - Office:	0.75	\$126.00	\$94.50
3/5/2008	JDK	CC 1-Principal Level - Office:	2.50	\$126.00	\$315.00
3/28/2008	KCM	CC 2-Senior Level - Office:	3.25	\$108.00	\$351.00
4/11/2008	KCM	CC 2-Senior Level - Office:	0.75	\$108.00	\$81.00

Total Services: \$6,047.75

Reimbursable Expenses:

1/29/2008	CC 16- FIELDWORK PER DIEM WITHOUT OVERNIGHT STAY	1.00	\$40.00	\$40.00
1/29/2008	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	235.00	\$0.41	\$96.35
1/29/2008	NC - LODGING	1.00	\$135.48	\$157.16

Total Expenses: \$293.51

N1015:508

Amount Due:

\$6,341.26

Invoice Date	Invoice Num
Apr 21, 2008	33327
Billing From	Billing To
Aug 28, 2007	Apr 18, 2008

SALIM DOMINGUEZ
c/o SOUTHWEST UTILITY MANAGEMENT
PO BOX 85160
TUCSON AZ 85745

INVOICE

Project ID: **N1015:513** Manager: **ERZ** Proj Name: **COCHISE COUNTY HIGHWAY PERMITTING**

Date	Employee ID	Description	Units	Rate	Amount
Services:					
2/19/2008	JEC	CS 3- Project Level - Field	2.25	\$95.00	\$213.75
Total Services:					\$213.75

N1015:513 Amount Due: **\$213.75**

Amount Due This Invoice: \$84,395.47

This invoice is due in 30 days.

ATTACHMENT 2

8:50 AM

03/28/14

Accrual Basis

Naco Water Co.

Transactions by Account

All Transactions

Type	Date	Num	Name	Memo	Debit	Credit	Balance
103100 - Prop. Held Future Use							
Bill	11/15/2007		Tierra Dynamic	Inv #32307A	49,683.59		49,683.59
Bill	11/15/2007		Tierra Dynamic	Inv #32700	77,041.60		77,041.60
Check	02/20/2008	2059	Tierra Dynamic	Requisition #2 - WIFA project 920124-08	39,570.55		116,612.15
Bill	06/04/2008	60986	Dana Kepner	Busbee Junction WIFA	7,017.00		123,629.15
Bill	06/24/2008	Inv #3	Tierra Dynamic	Planning	53,896.30		177,525.45
Bill	06/24/2008	Inv #3	Tierra Dynamic	Design & Engineering	38,235.00		215,760.45
Bill	06/30/2008	Inv #3	Tierra Dynamic	Well #4 Rehab	13,275.47		229,035.92
Check	07/09/2008	33496	Tierra Dynamic	Township mapping and engineering	33,866.00		261,929.92
Check	07/17/2008	2189	Arizona Land Specialists, Inc	Land Surveying - Wifa Project	17,046.94		278,967.86
Bill	07/23/2008	2204	Cochise County Treasurer	Busbee Junction - Right-of-Way apical	2,500.00		281,467.86
Bill	08/06/2008	33386	Tierra Dynamic	Project ID N1015-02 New Meter mappon	1,850.90		283,318.76
Bill	09/02/2008	33538	Tierra Dynamic	Invoice # 33538 Billing from Jul 1-31 20	22,053.19		305,371.95
Bill	09/12/2008	1009	Lewis Development	Busbee Junction - Distribution System U	21,839.23		327,211.18
Bill	09/16/2008	1011	Lewis Development	Busbee Junction Line Replacement	751.91		327,963.09
Bill	09/16/2008	33609	Tierra Dynamic	Phelps Dodge Negotiations	113,611.08		441,374.17
Check	10/02/2008	2288	Tierra Dynamic	Township Mapping & Engineering	1,868.65		443,242.82
Bill	10/10/2008	33680	Arizona Land Specialists, Inc	Inv#W02372 - WIFA Busbee Junction	19,820.64		463,063.46
Bill	10/16/2008	1012	Tierra Dynamic		9,825.00		472,888.46
Bill	10/30/2008	1013	Lewis Development	Busbee Junction Distribution	17,780.37		490,678.83
Bill	10/31/2008	81012	Lewis Development	Inv #1013 - Busbee Junction Distribution	137,982.21		628,661.04
Bill	11/03/2008	38777.8	Dana Kepner	Naco Project 08-1005	33,559.52		662,220.56
Bill	11/07/2008	43382	Desert Barricades	Supplies for Naco Project 08-1005	420.35		662,640.91
Bill	11/07/2008	Doug	First National Bank	NACO PROJECT 08-1005	417.70		663,058.61
Bill	11/07/2008	43430	Sunstate Equipment	Supplies Naco Project 08-1005	153.00		663,211.61
Bill	11/10/2008	38777C	Sunstate Equipment	Supplies Naco Project 08-1005	174.33		663,385.94
Bill	11/14/2008	81017	Desert Barricades	Baricades w flasher/sign Naco Project 0	90.69		663,476.63
Bill	11/17/2008	33744	Dana Kepner	Class 300 Pipe PVC pipe lubricant Blad	272.41		663,749.04
Bill	11/24/2008	33744	Tierra Dynamic	BJ install system upgrades	399.60		664,148.64
Bill	12/01/2008	Naco	Southwestern Utility Management, Inc	Reimbursement for supplies paid on cc	13,371.19		677,519.83
General Journal	07/19/2011	1014	Lewis Development	naco project 08-1055 water lines install	289.78		677,809.61
Check	12/19/2011	5266	Lewis Development	Busbee Junction upgrades 2007 thru 2008	9,932.30	687,740.91	687,740.91
General Journal	12/31/2011	1883	Cochise County Treasurer	Plan review			687,740.91
		7033		At #1 year end 2011	330.00	330.00	688,070.91
Total 103100 - Prop. Held Future Use					688,070.91	688,070.91	0.00
TOTAL					688,070.91	688,070.91	0.00

ATTACHMENT 3

Phan,

In response to your question about a sub-ledger for 2011 T&D Mains/Prop held for future use:

After spending some time researching this we have figured out the following: no sub-ledger that shows the split of these invoices exists. In fact, in spite of my previous email, all of the Prop. Held for Future Use was applied to T&D mains in 2011 except for the \$32,885 for the well #4 rehab that went to Wells and Springs and \$330 that went to outside services. The attached reconciles the PHFU amount (655,186) to the 2011 T&D mains amount (629,211.)

We will get back to you on the Well's and Springs question soon as well. Thanks.

Matt

From: Phan Tsan [<mailto:PTsan@azcc.gov>]
Sent: Wednesday, May 07, 2014 10:53 AM
To: 'Matthew Rowell'
Cc: 'Steve Wene'; Matthew Laudone; Dorothy Hains; Bridget Humphrey
Subject: RE: Naco Questions

Hi Matt,

Regards to Naco's response to DR PT4.1 and PT10.1, there is no projects related to Wells and Springs listed in response to PT4.1, but there is \$345,069 cost of Wells and Spring in company's response to PT10.1. Can you please explain? Was the \$345,069 cost of wells and spring paid by Freeport?

Thanks!

Phan.

From: Matthew Rowell [<mailto:mattrowell@cox.net>]
Sent: Monday, May 05, 2014 12:37 PM
To: Phan Tsan
Cc: 'Steve Wene'; Matthew Laudone
Subject: RE: Naco Questions

Phan,

Historically, Naco has not broken out DRS into the sub accounts. Going back and doing that now would be burdensome in itself and it would require several changes to the rate case application. In Naco's last rate case DRS was not broken out into the subaccounts and the Staff was OK with that (see page 32 of the attached surrebuttal testimony from 2006.) Since the application as it is now is consistent with NARUC and with the treatment in the last case, I don't think the significant work needed to break DRS into the subaccounts is necessary. Thanks.

Matt

From: Phan Tsan [<mailto:PTsan@azcc.gov>]
Sent: Monday, May 05, 2014 11:05 AM
To: 'Matthew Rowell'
Cc: 'Steve Wene'; Matthew Laudone
Subject: RE: Naco Questions

Matt,

For the \$137,711 of Distribution Reservoirs & Standpipes("DRS") listed on Schedule E-5 and the \$ 8,093 retirements(Naco's response to DH 9.1), what is the balance of Storage Tanks and what is the balance of Pressure Tanks? Please segregate them.

Thanks!

From: Matthew Rowell [<mailto:mattrowell@cox.net>]

Sent: Monday, May 05, 2014 9:43 AM

To: Phan Tsan

Cc: 'Steve Wene'; Matthew Laudone

Subject: RE: Naco Questions

I'll have to get back to you tomorrow on this.

From: Phan Tsan [<mailto:PTsan@azcc.gov>]

Sent: Friday, May 02, 2014 2:22 PM

To: 'Matthew Rowell'

Cc: Steve Wene; Matthew Laudone

Subject: RE: Naco Questions

Hi Matt,

Thanks for your response.

Can you please provide me 2011 transmission and distribution mains sub- ledger. The one that Naco provided before is "Prop.Held Future use". As you said, "The provided invoices are primarily associated with 2011 Transmission and Distribution Mains but they do include items that were booked elsewhere". I can't figure out what Naco classified as Distribution and transmission Mains, and what has already been included elsewhere. For example, when I reviewed the invoices, there are some projects named "new meter mapping", "service line installations" "well rehab" which I believe should not be included in that account. So, I believe it will be easy for me to trace those invoices with a sub-ledger. Thanks for your help.

Phan.

From: Matthew Rowell [<mailto:mattrowell@cox.net>]

Sent: Friday, May 02, 2014 1:56 PM

To: Phan Tsan

Cc: Steve Wene; Matthew Laudone

Subject: Naco Questions

Phan,

Bonnie asked that I reply to your questions from the other day. Our responses are below. Please do not contact Bonnie directly with these questions as she is very busy with other matters. It is much better if you send questions about the rate case either to Steve Wene or to me.

Hi Bonnie,

I have 2 questions that related to 2011 transmission & Distribution Mains, and wells & Spring. I thought I would receive a quick response from you by contacting you directly. However, if you want me to file a formal DR, I will be happy to do so.

Here is my questions:

For 2011 Wells and Springs, regarding to Naco's response to Staff DR DH 6.2, the invoices from Tierra Dynamic showed that one of the projects is Water Trailer Design. Please explain why Water Trailer Design was included in 2011 wells and spring.

The Trailer Design was **NOT** included in Wells and Springs. As was explained in response to Data Request DH 6.2, only the \$32,884.54 at page 7 of that invoice was included in Wells and Springs. Please note that the \$1,337 invoice that makes up the balance of the 2011 Wells and Springs additions was provided in response to Data Request DH 9.3a.

Also, there is a \$7,798.39 "reimbursement for Trailer from Tierra Dynamic" was included in 2008 transportation. Are they same trailer? If no, please provide invoices from Tierra Dynamic to support the amount of \$7,798.39.

Yes, they are the same trailer. The situation with the trailer was described in our response to Staff data request DH 9.3b.

For 2011 Transmission and Distribution mains, couple invoices are for "2006 AZ Corporation Commission Rate Application " and "2008 wifa grant application", such as invoice no.32307A,32700,32922,33086. Why were 2006 rate case and grant application expenses included in 2011 Transmission and Distribution Mains?

Not every entry on the provided invoices was booked in 2011 Transmission and Distribution Mains. Given the length and complexity of these invoices, many of them were split amongst various plant and expense accounts. The provided invoices are *primarily* associated with 2011 Transmission and Distribution Mains but they do include items that were booked elsewhere. Therefore it cannot be assumed that items that appear to be rate case expense were booked as 2011 Transmission and Distribution Mains.

Regarding invoice number 32307A from Tierra Dynamics dated October 16, 2006, at page 10 (of 15) of that invoice there is a \$138 charge for a 1.5 hour conference call on 3/15/2006 where WIFA financing and the ongoing rate case were discussed. The ACC Staff participated in this call as well. The entry immediately above the one for this conference call is for time spent replying to a request from the ACC Staff put directly to Tierra Dynamics in a phone call. So it is likely that the conference call where the rate case was discussed was prompted by the information request from ACC Staff. In any case, the conference call is **NOT** rate case expense. It did not include any actual work on a rate case. It is normal and appropriate for potential future ratemaking and financing impacts to be discussed before embarking on a large engineering project. This is especially the case when the ACC Staff is actively engaged in asking questions about the project.

Regarding invoice number 32700 from Tierra Dynamics dated December 31, 2006 at page 6 (of 6) there are \$925.25 that appear to be rate case expenses.

Regarding invoice 32922 from Tierra Dynamics dated September 24, 2007 at page 11 (of 13) there are \$1,507.90 that appear to be rate case expenses.

Regarding invoice 33086 dated December 13, 2007, the only mention of the ACC I see on this one is a \$66.50 charge on page 5 dated 11/29/2007 for, among other things, "RESEARCH ACC DOCUMENT FOR BUDGET INFO." This is not rate case expense.

I hope all this is helpful.

Matthew Rowell
DMAS
602 762 0100

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ATTACHMENT 4

Water Infrastructure Finance Authority

1110 West Washington Ste. 290 • Phoenix, AZ 85007



Debt Service Invoice

Loan Number: 920124-08

Date: 8/15/2014

Bill To: Naco Water Company
Attn: Bonnie OConnor
P.O Box 85160
Tucson, AZ 85754
Fax: (520) -792-0377

boconnor@southwesternutility.com

Contact: Julie Flores
Phone: (602) 364-1310
Fax: (602) 364-1327
E-mail: jflores@azwifa.gov

Date	Description	Amount	Additional	Balance
9/1/2014	Principal	\$1,999.91		\$1,999.91
	Interest	\$0.00		\$0.00
	Fee	\$2,340.75		\$2,340.75
	Debt Service Reserve	\$0.00		\$0.00
Total				\$4,340.66

REMINDER: PAYMENT WILL BE WITHDRAWN VIA ACH ON OR AFTER 9/1/2014

Account Name:	WIFA Loan Collection Account
Account Number:	252-453614
Routing Number:	026009593
Reference Number:	920124-08
Amount Due:	\$4,340.66

Notes:

"Arizona's Water and Wastewater Funding Source"

ATTACHMENT 5

Rejoinder Schedule MJR 1

Cash Flow and Operating Margin

	Company Test Year As Adjusted	Company Proposed Rebuttal	Company Proposed Rejoinder	Staff
Operating Revenue	\$ 255,089	\$ 306,330	\$ 306,330	\$ 287,231
Operating Expenses				
Operation and Maintenance	\$ 156,145	\$ 158,016	\$ 158,016	\$ 123,784
Depreciation	54,654	54,142	54,142	53,889
Property and Other Taxes	13,715	13,641	13,641	13,271
Income Tax	4,610	12,587	12,587	10,412
Total Operating Expense	\$ 229,124	\$ 238,387	\$ 238,387	\$ 201,356
Operating Income	\$ 25,964	\$ 67,943	\$ 67,943	\$ 85,875
Add Depreciation	54,654	54,142	54,142	53,889
Less Interest Expense	1,717	1,717	1,717	28,986
Less Principal Repayment	70,778	70,778	70,778	70,778
Less Capital Expenditures	-	-	16,800 1	26,350 2
Free Cash Flow	\$ 8,123	\$ 49,590	\$ 32,790	\$ 13,650
DSC				
Before Tax:	1.18	1.86	1.63	1.24
After Tax:	1.11	1.68	1.45	1.14
Operating Margin	10%	22%	22%	30%

1. Meter Replacement

2. Meter Replacement and Leak Detection

ATTACHMENT 2

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2

3

4 **COMMISSIONERS**

5 BOB STUMP, CHAIRMAN

6 GARY PIERCE

7 BRENDA BURNS

8 SUSAN BITTER-SMITH

9 BOB BURNS

10 **APPLICATION OF NACO WATER**

11 **COMPANY, LLC FOR A PERMANENT**

12 **INCREASE TO ITS WATER RATES**

DOCKET NO: W-02860A-13-0399

REJOINDER TESTIMONY
OF BONNIE O'CONNOR

13

14 **Q. Did you read Staff's Surrebuttal Testimony?**

15 **A. Yes.**

16 **Q. Please comment on Staff's Surrebuttal Testimony?**

17 **A. Matt Rowell is addressing the testimony related to financial matters. I have**

18

19 **reviewed Rowell's testimony and agree with the positions stated. Unfortunately, Staff**

20 **offered no comments on the Company's position that the safety equipment at Well Site 3**

21 **is used and useful. Again, Staff's position is difficult to understand. As stated**

22 **previously, Naco operators should have access to safety equipment at the site where they**

23 **often work. As for the other issues, the Company has not changed any of its other**

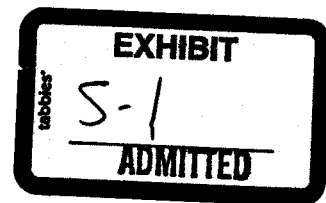
24 **positions because Staff did not offer any further explanation for Company consideration.**

25

26

27 **Q. Does this conclude your testimony?**

28 **A. Yes.**



BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION)
OF APPLICATION OF NACO WATER)
COMPANY, LLC FOR A PERMANENT)
INCREASE TO ITS WATER RATES)
_____)

DOCKET NO. W-02860A-13-0399

DIRECT

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 11, 2014

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	<u>Page</u>
INTRODUCTION	1
PURPOSE OF TESTIMONY	2
ENGINEERING REPORT.....	3
RECOMMENDATIONS AND CONCLUSIONS	4

EXHIBITS

Engineering Report for Naco Water Company, LLC	DMH-1
--	-------

1 **INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix,
4 Arizona 85007.

5
6 **Q. By whom and in what position are you employed?**

7 A. I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a
8 Utilities Engineer - Water/Wastewater in the Utilities Division.

9
10 **Q. How long have you been employed by the Commission?**

11 A. I have been employed by the Commission since January 1998.
12

13 **Q. What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14 A. My main responsibilities are to inspect, investigate and evaluate water and wastewater
15 systems. This includes obtaining data, preparing reconstruction cost new and/or original cost
16 studies, investigative reports, interpreting rules and regulations, and to suggest corrective
17 action and provide technical recommendations on water and wastewater system deficiencies.
18 I also provide written and oral testimony in rate cases and other cases before the
19 Commission.
20

21 **Q. How many companies have you analyzed for the Utilities Division?**

22 A. I have analyzed more than 90 companies fulfilling these various responsibilities for
23 Commission Utilities Division Staff ("Staff").
24

25 **Q. Have you previously testified before this Commission?**

26 A. Yes, I have testified on numerous occasions before this Commission.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of
3 Science degree in Civil Engineering.

4
5 **Q. Briefly describe your pertinent work experience.**

6 A. Before my employment with the Commission, I was an Environmental Engineer for the
7 Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time, I
8 was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for
9 approximately five years.

10
11 **Q. Please state your professional membership, registrations, and licenses.**

12 A. I have been a registered Civil Engineer in Arizona since 1990. I am a member of the
13 American Society of Civil Engineering, American Water Works Association and Arizona
14 Water Association.

15
16 **PURPOSE OF TESTIMONY**

17 **Q. What was your assignment in this rate proceeding?**

18 A. My assignment was to provide Staff's engineering evaluations for the subject Naco Water
19 Company, LLC ("Naco" or "Company") rate proceeding.

20
21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. To present the findings of Staff's engineering evaluation of the operations for Naco. The
23 findings are contained in the Engineering Report that I have prepared for this proceeding.
24 The report is included as Exhibit DMH-1 to this pre-filed testimony.

25

1 **ENGINEERING REPORT**

2 **Q. Would you briefly describe what was involved in preparing your Engineering Report**
3 **for this rate proceeding?**

4 A. After reviewing the application for Naco, I physically inspected the water systems to evaluate
5 the operation and determine if any plant items were not used and useful. I contacted ADEQ
6 to determine if the water systems were in compliance with the Safe Drinking Water Act water
7 quality requirements. I also contacted the Arizona Department of Water Resources
8 ("ADWR") to determine if the Company was in compliance with ADWR's requirements
9 governing water providers and/or community water systems. After I obtained information
10 from Naco regarding plant improvements, permits, chemical testing expenses and water
11 usage data, I analyzed that information. Based on all the above, I prepared the attached
12 Engineering Report for Naco.

13
14 **Q. Please describe the information contained in your Engineering Report for Naco.**

15 A. The Report is divided into three general sections: 1) *Executive Summary*, 2) *Engineering Report*
16 *Discussion*, and 3) *Engineering Report Exhibits*. The *Engineering Report Discussion* is further divided
17 into eleven subsections: A) Purpose of Report; B) Location of the Company; C) Description
18 of System; D) Water Usage; E) Non-Account Water; F) Growth Projection; G) ADEQ
19 Compliance; H) ADWR Compliance; I) ACC compliance; J) Water Testing Expenses; K)
20 Depreciation Rates; and L) Other Issues. These subsections provide information about the
21 water systems serving Naco.

22
23 **RECOMMENDATIONS AND CONCLUSIONS**

24 **Q. What are Staff's conclusions and recommendations regarding the operations of Naco?**

25 A. Staff's conclusions and recommendations regarding the Naco's operations are listed below.
26

1 **Conclusions:**

2 I. A check of the Commission's Compliance Section database dated January 27, 2014,
3 indicates there are no delinquent compliance items for Naco.

4
5 II. Staff received a compliance status report from ADEQ dated December 20, 2013, in
6 which ADEQ stated that the Company's Systems (PWS No. 02-024 and PWS No. 02-
7 112) have no major deficiencies and are delivering water that meets water quality
8 standards required by 40 CFR 141 (National Primary Drinking Water Regulations)
9 and Arizona Administrative Code, Title 18, Chapter 4. ADEQ also reported that
10 PWS No. 02-133 is "inactive" because it serves less than 15 connections. This system
11 has since been interconnected with and made part of PWS No. 02-024.

12
13 III. The Company is not located in an ADWR Active Management Area. According to
14 an ADWR compliance status report dated November 29, 2013, the Company is
15 currently compliant with ADWR requirements governing water providers and/or
16 community water systems.

17
18 IV. Naco has approved Cross Connection and Curtailment tariffs on file with the
19 Commission.

20
21 V. Naco water systems have adequate production and storage capacities to support the
22 existing customer base and reasonable growth.

23
24 VI. The following plant items were permanently removed from service in March 2013:
25 Well No. 3, one 7,500 gallon storage tank, one 750 gallon pressure tank and one 5-HP
26 booster pump. During its inspection, Staff observed that the plant items listed were

1 not in service and, therefore, no longer used and useful to the Company's provision
2 of service.

3
4 VII. New plant items at Site No. 3 and Well No. 6 were completed in March 2013, after
5 the test year. Staff observed that the plant items listed in Table 5 in Report DMH-1
6 were in service and were used and useful to the Company's provision of service at the
7 time of Staff's inspection.

8
9 **Recommendations:**

10 I. Staff recommends annual water testing costs of \$4,082 for Naco.

11
12 II. Staff recommends the depreciation rates by individual National Association of
13 Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5 in
14 Report DMH-1.

15
16 III. Staff recommends meter and service line installation charges listed under the columns
17 labeled "Staff Recommended" in Table 4 in Report DMH-1.

18
19 IV. The calculated water loss in PWS No. 02-024 was 12.33 percent during the test year
20 which exceeds Staff's recommended 10 percent threshold. On December 12, 2013
21 the Company docketed its water loss report. The Company combined PWS No. 02-
22 024 and PWS No. 02-133 in March 2013, the calculated water loss in 2013 was 14.96
23 percent, which exceeds Staff's recommended 10 percent threshold. Staff
24 recommends that the Company implement its water loss plan immediately. Staff
25 further recommends that the Company be required to file water loss reduction
26 progress reports each January and July with Docket Control, as a compliance item in

1 this docket. The progress reports should cover the previous six months. Staff further
2 recommends that the first water loss progress report be filed in July, 2015.

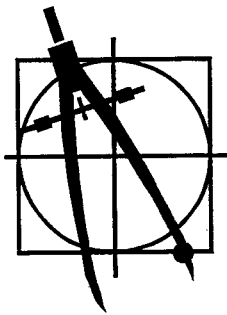
3
4 V. The calculated water loss in PWS No. 02-112 was negative 15.08 percent during the
5 test year. A negative water loss is impossible. However, based on the 2013 Annual
6 Report, PWS No. 02-112 system pumped a total of 3,626,000 gallons of water and
7 sold a total of 3,506,000 gallons of water which equates to a water loss of 3.31 percent
8 in 2013 which is within acceptable limits. Staff recommends that the Company
9 monitor the PWS No. 02-112 system closely and take action to ensure the water loss
10 remains below 10 percent. Staff further recommends that the Company be required to
11 coordinate the reading of its well meters and individual customer meters on a monthly
12 basis and report this data in its future Annual Reports beginning with 2014 Annual
13 Report filed in 2015. If the reported water loss is greater than 10 percent, the
14 Company shall prepare a report containing a detailed analysis and plan to reduce
15 water loss to 10 percent or less. If the Company believes it is not cost effective to
16 reduce the water loss to less than 10 percent, it should submit a detailed cost benefit
17 analysis to support its opinion. In no case shall the Company allow water loss to be
18 greater than 15 percent. The water loss reduction report or the detailed analysis,
19 whichever is submitted, shall be docketed as a compliance item before the Company
20 files its next rate increase application. Any future rate case filed by the Company may
21 be found insufficient if these items are not properly submitted.

22 VI. Staff recommends that Naco file with Docket Control, as a compliance item in this
23 docket and within 90 days of the effective date of a decision in this proceeding, at
24 least five BMPs in the form of tariffs that substantially conform to the templates
25 created by Staff for the Commission's review and consideration. Staff further
26 recommends that Naco use the templates created by Staff that are available on the

1 Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A
2 maximum of two BMPs may come from the "Public Awareness/Public Relations" or
3 "Education and Training" categories. The Company may request cost recovery of the
4 actual costs associated with the BMPs implemented in its next general rate
5 application.

6
7 **Q. Does this conclude your Direct Testimony?**

8 **A. Yes, it does.**
9



Engineering Report
Naco Water Company, LLC
Prepared By
Dorothy Hains, P. E.
Docket No. W-02860A-13-0399
(Rates)

July 11, 2014

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**ENGINEERING REPORT
NACO WATER COMPANY, LLC
DOCKET NO. W-02860A-13-0399 (RATES)**

A. PURPOSE OF REPORT

This report was prepared in response to the application filed by Naco Water Company, LLC ("Naco" or "Company") with the Arizona Corporation Commission ("ACC" or "the Commission") to increase its water rates. The ACC Utilities Division Staff ("Staff") engineering review and analysis of the subject application is presented in this report.

An inspection of the Company's water systems was conducted by Dorothy Hains, Staff Engineer, accompanied by representatives from the Company, Keith Dojanquez (Southwest Utility Management Inc.'s Manager & Operator), Gary Newman (Southwest Utility Management Inc.'s On-site Manager) and Jose Martinez (on-site Field Staff for Southwest Utility Management, Inc.) on March 25, 2014.

B. LOCATION OF THE COMPANY

The Company is located approximately 5 miles west of the Town of Bisbee Junction in southern Cochise County, adjacent to the Mexican border. Figure 1 describes the Certificate of Convenience and Necessity ("CC&N") area of Naco, and Figure 2 describes the location of Naco. The Company serves an area approximately two and one-half square miles in size that includes all or portions of Sections 10, 11, 13, 14 and 18 of Township 24 North, Range 24 West.

C. DESCRIPTION OF SYSTEM

I. System Description

The Company owns and operates three water systems: Arizona Department of Environmental Quality ("ADEQ") Public Water System ("PWS") Identification No. 02-024 (referred to as the "Main" or "Township System"), PWS No. 02-112 (referred to as "Well No. 4" or "Bisbee System") and PWS No. 02-133 (referred to as "Site No. 3" or "Bisbee Highway System").

PWS No. 02-024 System

This system consists of two wells that have a combined 302 gallons per minute ("GPM") production capacity, a combined 170,000 gallon storage capacity, two pressure tanks, two booster pump stations and a distribution system serving approximately 250 customers.

Table 1A Plant Data in Main System (PWS No. 02-024)

Active Drinking Water Wells

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-575700 (Well No.6)	1999	10	410	4	15	182	2045 W Newell Rd, Naco
55-562944 (Well No.2)	1997	8	312	3	10	120	3769 Giesler Ave, Naco

Active Storage, Pumping

Location	Structure or equipment	Capacity
2045 W Newell Rd, Naco	Pressure tank	One 5,000 gallon tank
	Storage tanks	One 50,000 gallon One 100,000 gallon
	Booster pump station	Two 25-HP booster pumps
3769 Giesler Ave, Naco	Storage Tank	One 20,000 gallon tank
	Pressure Tank	One 2,000 gallon tank
	Booster pump station	one 5-HP & one 7.5-HP booster pumps

Distribution Mains

Diameter (inches)	Material	Length (feet)
2	polyvinyl chloride ("PVC")/Galvanized Steel	1,470
3		
4	PVC	8,700
5		
6	PVC	13,240
8	PVC	330
10		
12		

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	276
$\frac{3}{4}$	1
1	4
$1\frac{1}{2}$	1
2	9

PWS No. 02-112 System

This system consists of one well that has a 20 GPM production capacity, a 20,000 gallon storage tank, one pressure tank, one booster pump station and a distribution system serving approximately 60 customers.

Table 1B Plant Data in Bisbee System (PWS No. 02-112)

Active Drinking Water Well

ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-51849 (Well No. 4)	1995	8	800	4	5	20	In Bisbee Junction near Purdy Lane

Active Storage, Pumping

Location	Structure or equipment	Capacity
In Bisbee Junction near Purdy Lane	Pressure tank	One 2,000 gallon tank
	Booster pump station	Two 5-HP booster pumps
	Storage Tank	One 20,000 gallon tank

Distribution Mains

Diameter (inches)	Material	Length (feet)
2	polyvinyl chloride ("PVC")	5,500
3		
4	PVC-900	5,985
6		
8		
12		
2	PVC - 80	1,755
1	PVC/Galvanized Steel	6,180

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	72
$\frac{3}{4}$	
1	1
$1\frac{1}{2}$	
2	

PWS No. 02-133 System

This system, which has been interconnected with PWS No. 02-024 since March 2013, consists of one 20,000 gallon storage tank, one pressure tank, one booster pump station and a distribution system to serve approximately 12 customers.

Table 1C Plant Data in Site No. 3 (PWS No. 02-133)

Active Storage, Pumping

Location	Structure or equipment	Capacity
S Naco Highway between W Fairway View Rd & W Mule Deer St.	Pressure tank	One 2,000 gallon tank
	Booster pump station	Two 5-HP booster pumps
	Storage Tank	One 20,000 gallon tank

Distribution Mains

Diameter (inches)	Material	Length (feet)
2	polyvinyl chloride ("PVC")/Galvanized steel	790
3	Acrylonitrile Butadiene Styrene ("ABC")	1,170
4		
6		
8		
10		
12		
2	PVC	110

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	12 ¹
$\frac{3}{4}$	
1	
1½	
2	

Notes: 1. In the Application Naco reported that PWS No. 02-133 owned 11 meters. However, based on the test year water usage data, 12 metered customers were in the system. Therefore, Staff corrected the number of meters based on the water usage data.

Abandoned Well

ADWR No.	Year Drilled	Year abandoned	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Location
55-203321 (Well No. 3)	2004	2013	8	252	2	7.5	35	S Naco Highway between W Fairway View Ave & W Mule Deer St.

Additional Plant Items Removed From Service

Location	Structure or equipment	Capacity
S Naco Highway between W Fairway View Rd & W Mule Deer St.	Pressure Tank	One 750 gal
	Storage Tank	One 7,500 gallon
	Booster pump station	One 5-HP pump
	Chlorine injection device	One unit
	fence	unknown
	Control panel	one

Exhibits 3A and 3B are schematic drawings of the water system.

II. *System Analysis*

PWS No. 02-024 and PWS No. 02-133 Systems

Well No. 3 which served the 02-133 system was abandoned in March 2013.¹ The 02-024 system has been providing water to the 02-133 system since Well No. 3 was abandoned. The 02-024 system has adequate production capacity to serve the customers of both systems. Both systems have adequate storage capacity to serve their respective customer bases and reasonable growth.

PWS No. 02-112 System

The 02-112 system has adequate production and storage capacities to serve its present customer base and reasonable growth. However, the Company has reported that the system's only production well, Well No. 4, has been affected by nearby copper mine activities and Well No. 4 production has declined by more than 50 percent since the Company's last rate case in 2006. The Company may want to conduct a hydrological/engineering evaluation of Well No. 4. If this is done, the Company should file this hydrological/engineering evaluation with Docket Control.

¹ Staff understands this well was abandoned through an agreement with Freeport McMoRan.

D. WATER USAGE

PWS No. 02-024 System

Tables 2A – 2C summarize water usage in the Company's service area. Figures 4A – 4E are graphs that show the Company's water consumption data in gallons per day ("GPD") per connection in the test year.

Table 2A Water Usage in Main System (PWS No. 02-024)

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 12	244	1,091,000	1,162,000	0	144
Feb 12	248	1,337,000	1,348,000	0	193
Mar 12	246	1,075,000	1,349,000	0	141
Apr 12	248	1,253,000	1,427,000	0	168
May 12	245	1,321,000	1,512,000	0	174
Jun 12	246	1,652,000	1,887,000	0	224
Jul 12	244	1,340,000	1,639,000	0	177
Aug 12	240	1,065,000	1,135,000	0	143
Sep 12	244	1,134,000	1,285,000	0	155
Oct 12	244	1,307,000	1,563,000	0	173
Nov 12	245	1,168,000	1,336,000	0	159
Dec 12	244	1,273,000	1,519,000	0	168
total		15,016,000	17,162,000	0	
Average					168

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 168 GPD per customer, a high use of 224 GPD per customer, and a low use of 141 GPD per customer. The highest total monthly use occurred in June when a total of 1,652,000 gallons were sold to 246 customers. The lowest total monthly use occurred in March when 1,075,000 gallons were sold to 246 customers.

PWS No. 02-112 System

Table 2B Water Usage in Bisbee System (PWS No. 02-112)

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 12	57	245,000	240,000	0	139
Feb 12	59	235,000	177,000	0	142
Mar 12	60	241,000	249,000	0	130
Apr 12	60	310,000	283,000	0	172

May 12	60	426,000	336,000	0	229
Jun 12	60	455,000	412,000	0	253
Jul 12	60	433,000	322,000	0	233
Aug 12	58	339,000	183,000	0	189
Sep 12	59	310,000	220,000	0	175
Oct 12	60	328,000	322,000	0	176
Nov 12	60	254,000	255,000	0	141
Dec 12	60	262,000	336,000	0	141
total		3,838,000	3,335,000	0	
Average					177

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 177 GPD per customer, a high use of 253 GPD per customer, and a low use of 130 GPD per customer. The highest total monthly use occurred in June when a total of 455,000 gallons were sold to 60 customers. The lowest total monthly use occurred in February when 235,000 gallons were sold to 59 customers.

PWS No. 02-133 System

Table 2C Water Usage in Site No. 3 (PWS No. 02-133)

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Daily Average (in gpd/customer)
Jan 12	11	30,000	39,000	0	88
Feb 12	12	39,000	16,000	0	116
Mar 12	12	38,000	33,000	0	102
Apr 12	12	46,000	46,000	0	128
May 12	12	51,000	50,000	0	137
Jun 12	12	70,000	68,000	0	194
Jul 12	12	68,000	67,000	0	183
Aug 12	12	36,000	37,000	0	97
Sep 12	12	39,000	40,000	0	108
Oct 12	12	48,000	51,000	0	129
Nov 12	12	49,000	167,000	0	136
Dec 12	12	47,000	50,000	0	126
total		561,000	664,000	0	
Average					129

Based on information provided by the Company, during the test year the Company experienced an overall daily average use of 129 GPD per customer, a high use of 194 GPD per customer, and a low use of 88 GPD per customer. The highest total monthly use occurred in June when a total of 70,000 gallons were sold to 12 customers. The lowest total monthly use occurred in January when 30,000 gallons were sold to 11 customers.

E. NON-ACCOUNT WATER

Non-account water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between the water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, theft, and flushing, etc. In Decision No. 69393 the Commission ordered the Company to reduce the water loss to no more than 10 percent before the Company files its next rate case or submits a detailed cost analysis and explanation demonstrating why water loss reduction of 10 percent or less is not cost effective.

PWS No. 02-024 System

The calculated water loss during the test year was 12.33 percent, which exceeds Staff's recommended 10 percent threshold. On December 12, 2013, the Company docketed its water loss report per Commission Decision No. 69393, dated March 22, 2007. In the report, the Company determined that the water loss comes from aging pipes and service meters. The Company proposes (1) meter replacement program that will cost \$1,400 per year, and (2) a leak detection program that will cost approximately \$9,550². However, the Company has not requested any financing to accomplish the water loss reduction plan. Staff recommends that the Company implement its water loss plan immediately. Staff further recommends that the Company be required to file water loss reduction progress reports each January and July with Docket Control, as a compliance item in this docket. The progress reports should cover the previous six months. Staff further recommends that the first water loss progress report be filed in July, 2015.

PWS No. 02-112 System

The calculated water loss during the test year was negative 15.08 percent. A negative water loss is impossible. However, based on the 2013 Annual Report, the PWS No. 02-112 system pumped a total of 3,626,000 gallons of water and sold a total of 3,506,000 gallons of water; this equates to a water loss of 3.31 percent in 2013 which is within acceptable limits.

Staff recommends that the Company monitor the PWS No. 02-112 system closely and take action to ensure the water loss remains below 10 percent. Staff further recommends that the Company be required to coordinate the reading of its well meters and individual customer meters on a monthly basis and report this data in its future Annual Reports beginning with the 2014 Annual Report filed in 2015. If the reported water loss is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plan to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item before the Company files its next rate increase application. Any future rate case filed by the Company may be found insufficient if these items are not properly submitted.

² The Company estimates that it will need 5-7 days labor work to investigate a 2.5 mile area; to do so the Company will need a fund of \$1,250 per day cost for labor and equipment rental, etc. and additional \$800 for a mobilization charge fee.

PWS No. 02-133 System

The calculated water loss during the test year for PWS No. 02-133 was negative 1.81 percent. A negative water loss is impossible. PWS No. 02-133 was interconnected to PWS No. 02-024 in March 2013. (See the discussion below.)

PWS No. 02-024 / PWS No. 02-133 Combined

The Company combined PWS No. 02-024 and PWS No. 02-133 in March 2013, the calculated water loss in 2013 was 14.96 percent, which exceeds Staff's recommended 10 percent threshold.³

Table 2D Water Usage in Main System (PWS No. 02-024 and PWS No. 02-133 combined)

Month	Number of Customers	Water Sold (in gallons)	Water pumped (in gallons)	Water purchased (in gallons)	Authorized Non-billable water (in gal)	Daily Average (in gpd/customer)
Jan 13						
Feb 13						
Mar 13						
Apr 13	257	1,255,000	1,417,000	0		163
May 13	258	1,488,000	1,677,000	0		186
Jun 13	256	1,843,000	2,254,000	0	35,000	240
Jul 13	257	1,607,000	1,951,000	0	36,000	202
Aug 13	260	1,358,000	1,643,000	0	32,000	168
Sep 13	257	1,264,000	1,555,000	0	38,000	164
Oct 13	253	1,144,000	1,477,000	0	42,000	146
Nov 13	256	1,138,000	1,326,000	0		148
Dec 13	254	1,078,000	1,232,000	0		137
total		12,175,000	14,532,000	0	183,000	
Average						173

Staff's recommendation is the same as in PWS No. 02-024 System above⁴.

F. GROWTH PROJECTION

For the past five years, this Company has experienced a flat growth rate in all three systems. Prior to the economic downturn the Company had an average growth rate of only two customers per year in PWS No. 02-024 and a flat growth rate in PWS No. 02-112 and PWS No. 02-133. Future growth is hard to predict since it will depend on what happens with the economy but it is expected to be minimal.

³ The 2013 water use data for the combined systems was reported under PWS No. 02-024 no water usage data was reported for PWS No. 02-133.

⁴ Staff recommends that the Company implement its water loss plan immediately. Staff further recommends that the Company be required to file water loss reduction progress reports each January and July with Docket Control, as a compliance item in this docket. The progress reports should cover the previous six months. Staff further recommends that the first water loss progress report be filed in July, 2015.

G. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Staff received a compliance status report from ADEQ dated December 20, 2013, in which ADEQ stated that the Company's water systems (PWS No. 02-024 and PWS No. 02-112) have no major deficiencies and are delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.

ADEQ also reported that PWS No. 02-133 is "inactive" because it serves less than 15 connections. This system has since been interconnected with and made part of PWS No. 02-024.

H. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located in an ADWR Active Management Area. According to an ADWR compliance status report dated November 29, 2013, the Company is currently compliant with ADWR requirements governing water providers and/or community water systems.

I. ACC COMPLIANCE

A check of the Commission's Compliance Section database dated January 27, 2014, indicated there were no delinquent compliance items for the Company.

J. WATER TESTING EXPENSES

The Company reported its water testing expense at \$3,596 for the test year. Staff has reviewed the Company's reported expense amount and has recalculated these expenses. Staff recommends that Staff's water testing expense of \$4,082 be used for this proceeding.

Naco is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

1. MAP will do baseline testing on everything except copper, lead, bacteria, and disinfection by-products.
2. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented on an annualized basis.
3. MAP fees were based on the ADEQ MAP invoice for calendar year 2013.

Tables 3A, 3B and 3C show Staff's estimated annual monitoring expense, based on participation in the MAP program.

Table 3A Water Testing Cost (PWS No. 02-024, Main System)

Monitoring – 2 wells (2 POEs) (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$25 ¹	72	\$1,800	\$600
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP
Nitrites	\$25	MAP	MAP	MAP
Nitrates – annual	\$25	MAP	MAP	MAP
Asbestos – per 9 years	\$180	2½	MAP	MAP
Lead & Copper – annual*	\$45	10	\$450	\$150
TTHM/HHA5	\$265 ²	6	\$1,590	\$530
Maximum chlorine residual levels	\$0	72	\$0	\$0
MAP Fee				\$1,049.27 ³
Total				\$2,329.27

Notes: 1. Charge based on invoices from Turner Laboratories.

2. Testing cost of TTHM is \$110/sample and testing cost of HHA5 is \$155/sample.

3. According to the December 21, 2012 invoice for PWS No. 02-024, MAP was \$1,018.43. Because PWS No. 02-024 and PWS No. 02-133 is interconnected, total numbers of connections increase, Staff calculated the MAP fee and determined that the estimated MAP fee would be \$1,049.27.

Table 3B Water Testing Cost (PWS No. 02-112, Bisbee System)

Monitoring – 1 well (1 POE) (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$25 ¹	36	\$900	\$450
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP

Nitrites – (1/9 yr)	\$25	MAP	MAP	MAP
Nitrates – annual	\$25	MAP	MAP	MAP
Asbestos – (1/ 9 yr)	\$180	2½	MAP	MAP
Lead & Copper – annual*	\$45	5	\$225	\$75
TTHM/HHA5	\$265 ²	3	\$795	\$265
Maximum chlorine residual levels	\$0	72	\$0	\$0
MAP Fee				\$437.61
Total				\$1,227.61

Notes: 1. Charge based on invoices from Turner Laboratories.
2. Testing cost of TTHM is \$110/sample and testing cost of HHA5 is \$155/sample.

Table 3C Water Testing Cost (PWS No. 02-133, Site No. 3 System)

Monitoring – 0 well (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$25 ¹	36	\$900	\$450
Lead & Copper – annual*	\$45	5	\$225	\$75
TTHM/HHA5	\$265 ²	0	\$1,080	\$0
Maximum chlorine residual levels	\$0	72	\$0	\$0
Total				\$525

Notes: 1. Charge based on invoices from Turner Laboratories.
2. According to Turner Laboratories, testing cost of TTHM is \$110/sample and testing cost of HHA5 is \$155/sample.

Staff's total recommended annual water testing cost for Naco is \$4,082⁵.

K. DEPRECIATION RATES

Staff has developed typical and customary depreciation rates within the range of anticipated equipment life. These rates are presented in Figure 5 and should be used to calculate the annual depreciation expense for the Company. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category, as delineated in Figure 5.

⁵ Total of \$3,329.27, \$1,227.61 and \$525 is \$4,082.

L. OTHER ISSUES

I. Service Line and Meter Installation Charges

The Company has proposed to increase its Service Line and Meter Installation charges; the Company also proposes separate service line and meter installation charges via this rate application. The Company's proposed charges are within Staff's typical range for service line and meter installation charges. Therefore, Staff recommends approval of the Company's proposed charges. The charges listed in Table 4 under the columns labeled "Staff recommended" should be adopted.

Table 4 Service Line and Meter Installation Charges (Naco)

Meter Size	Current Total Meter & Service Line Installation Charges (Decision #69393)	Proposed Service Line Charges	Proposed Meter Charges	Proposed Total installation Charge	Staff Recommended (Service Line installation charge)	Staff Recommended (Meter charges)	Staff Recommend ed total charges
5/8 x 3/4- inch	\$450	\$490	\$131.5	\$621.5	\$490	\$131	\$621.5
3/4-inch	\$475	\$490	\$232.5	\$722.5	\$490	\$232.5	\$722.5
1-inch	\$550	\$547	\$293	\$840	\$547	\$293	\$840
1½-inch	\$775	\$609.5	\$505.5	\$1,115	\$609.5	\$505.5	\$1,115
2-inch	\$1,375	\$927	\$1,030.5	\$1,957.5	\$927	\$1,030.5	\$1,957.5
3-inch	\$1,975	\$1,171	\$1,661.5	\$2,832.5	\$1,171	\$1,661.5	\$2,832.5
4-inch	\$3,040	\$1,661	\$2,646.5	\$4,307.5	\$1,661	\$2,646.5	\$4,307.5
6-inch	\$5,635	\$2,478.5	\$5,025.5	\$7,504	\$2,478.5	\$5,025.5	\$7,504

II. Post-test Year Plant Additions

New plant items at Site No. 3 and Well No. 6 were completed in March 2013, after the test year. Staff observed that the plant items listed in Table 5 below were in service and were used and useful to the Company's provision of service at the time of Staff's inspection.

Table 5 Post-test year Pro forma

year	NARUC Account (LPSC's)	Plant items	Location of Plant Additions	Amount (\$, Company reported) 1	Amount (\$, Staff Adjusted) 2	Total Costs (\$)
2013	304 (Structures and Improvement)	Concrete pads and fencing with gate Chlorinator shed Concrete pad under the shed	Well No. 6 Site and Site No. 3 Site No. 3 Site No. 3	8,183	2,750 ² 1,250 ²	
			total	8,183	4,000 ²	4,183
2013	307 (Wells and Springs)	Well No. 3 abandonment/Survey/s oil tests Chlorination device Safety shower/eye washer	Site No. 3.	345,069	1,800 ² 1,000 ³	
			total	345,069	2,800	342,269
2013	311 (Pump Equipment)	Two 25-HP booster pumps/ electric upgrade Two 5-HP booster pumps/ electric	Booster pumps in Well No. 6 Site Booster pumps in Site No.3	49,405	0	
			total	49,405	0	49,405
2013	330.1 (Storage Tanks)	One 110,000 gallon storage tank/ foundation/ survey/electric One 20,000 gallon storage tank / foundation, survey Control panel/electric	In Well No. 6 Site In Site No. 3	303,227	0	
			total	303,227	0	303,227
2013	330.2 (Pressure Tank)	One 2,000 gallon pressure tank/footing	In Site No. 3	10,448	0	
			total	10,448	0	10,448
2013	331 (Transmissi	2,011' (4" PVC)/ survey/ paving/ traffic	Replace the distribution	472,990	0	

	on & Distribution Mains)	control 3,980' (6" PVC)/ paving/ traffic control /survey	system in Site No. 3. Interconnection between Well No. 6 and Site No. 3 Site.			
			total	472,990	0	472,990
2013	334 (meters)	N/A	N/A	1,580	1,580	
			total	1,580	1,580	0
			Total	1,190,902	8,380	1,182,522

- Notes: 1. Based on the Company's Response to Staff Data Request No. PT 10.1.
2. Based on the June 9, 2011 letter from Carlson Engineering to Mr. Steve Wene. Those plant items are not in service; therefore, they are not used and useful.
3. Staff assumed that the expense of safety shower and eye washer ("SS & EW") equipment was included in the cost of well abandonment. This equipment is not required at these locations, because no corrosive chemicals are used, such as disinfection agents, acids, soda ash, etc. The water delivered to the storage tank in the Site No. 3 is coming from Well No. 6 which has been treated and met the Safe Drinking Water Act water quality standards; no additional disinfection is required at Site No. 3. Therefore, Staff adjusted the Company's reported amount to exclude the SS & EW equipment. Because the Company did not provide a separate cost for the SS & EW equipment, Staff estimated the cost to be \$1,000.

III. Plant Items No Longer In Service

The following plant items were permanently removed from service in March 2013: Well No. 3, one 7,500 gallon storage tank, one 750 gallon pressure tank and one 5-HP booster pump. During its inspection, Staff observed that the plant items listed were not in service and therefore are no longer used and useful to the Company's provision of service.

IV. Curtailment Tariff

The Company has an approved Curtailment Tariff on file with the Commission.

V. Cross Connection or Backflow Prevention Tariff

The Company has an approved Cross Connection & Backflow Tariff on file with the Commission.

VI. Best Management Practices ("BMPs") Tariff

Staff recommends that Naco file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, at least five BMPs in the form of tariffs that substantially conform to the templates created by Staff for the Commission's review and consideration. Staff further recommends that the templates created by Staff are available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>. A maximum of two BMPs may come from the "Public Awareness/Public Relations" or "Education and Training" categories. The Company may request cost recovery of the actual costs associated with the BMPs implemented in its next general rate application.

FIGURE 1

Naco Certificate Service Area

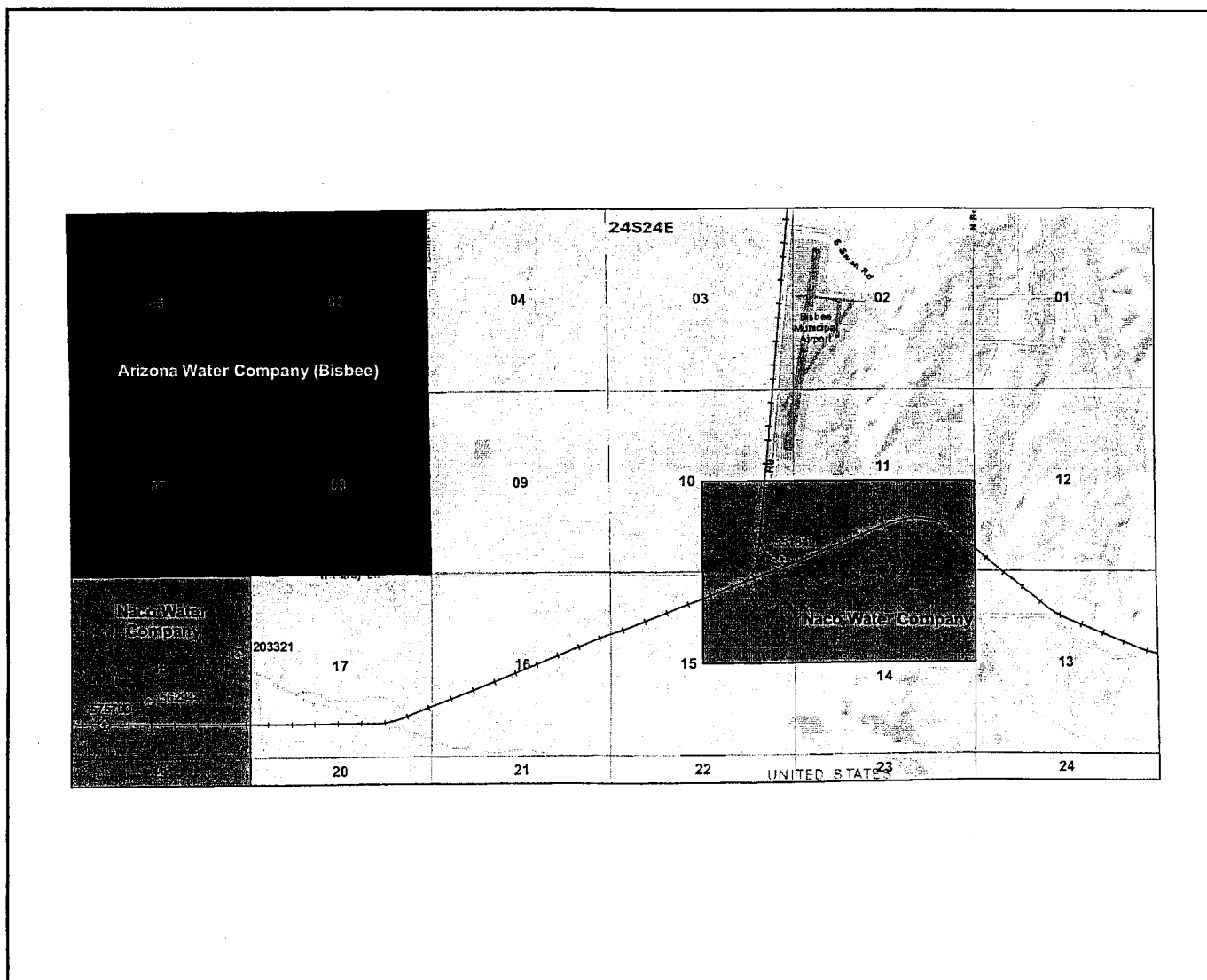


FIGURE 2
LOCATION OF NACO SERVICE AREA

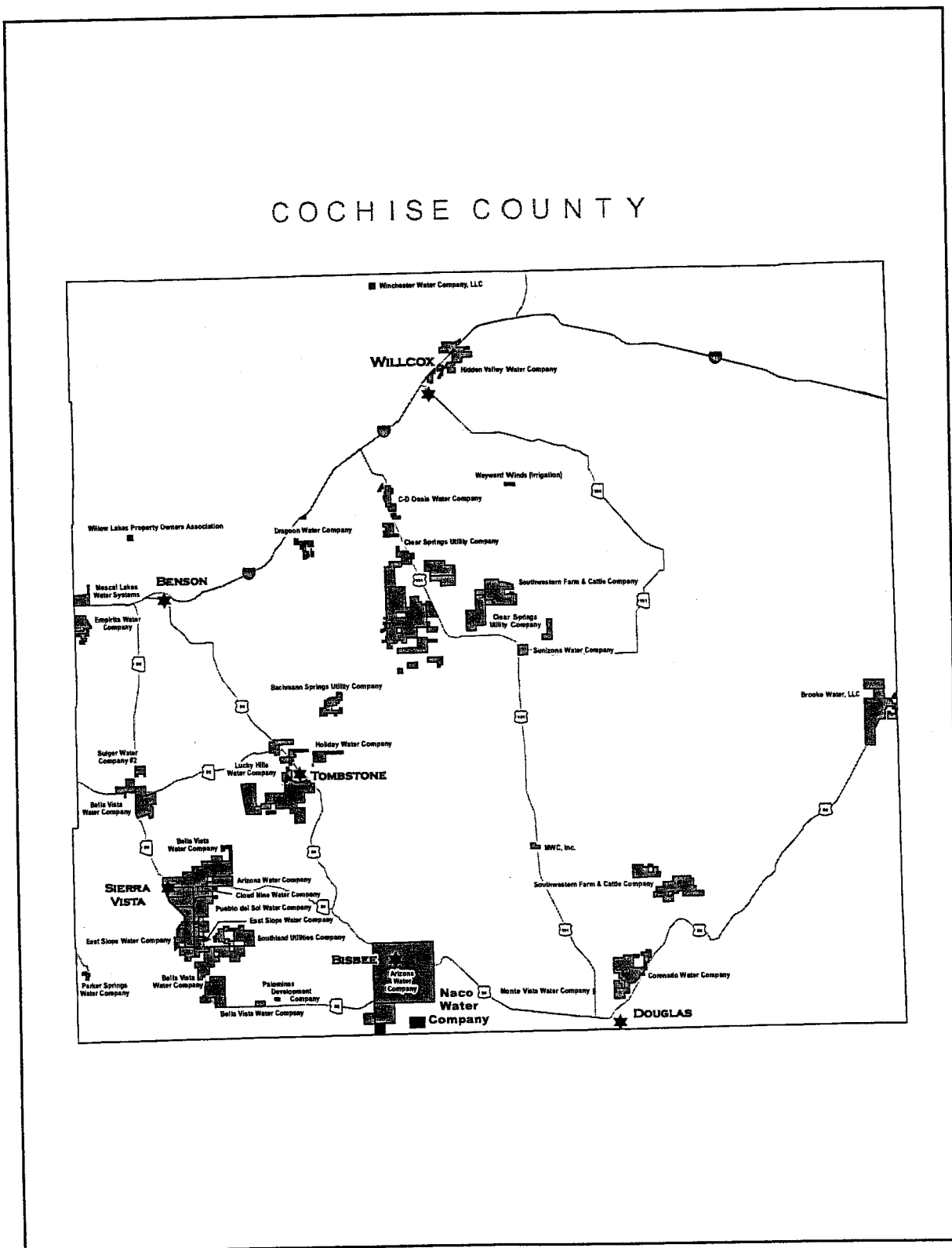


FIGURE 3A SYSTEMATIC DRAWING

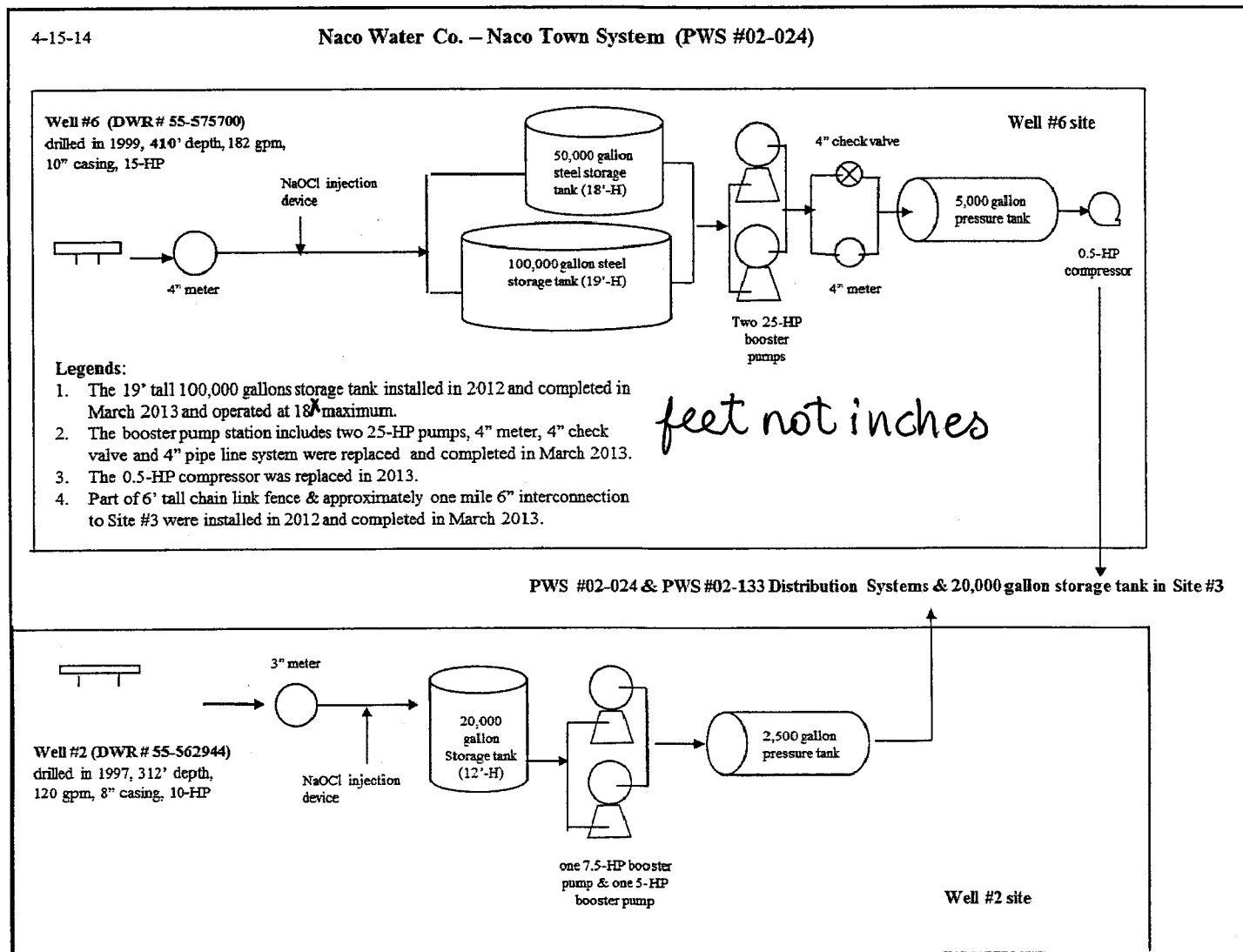


FIGURE 3B SYSTEMATIC DRAWING

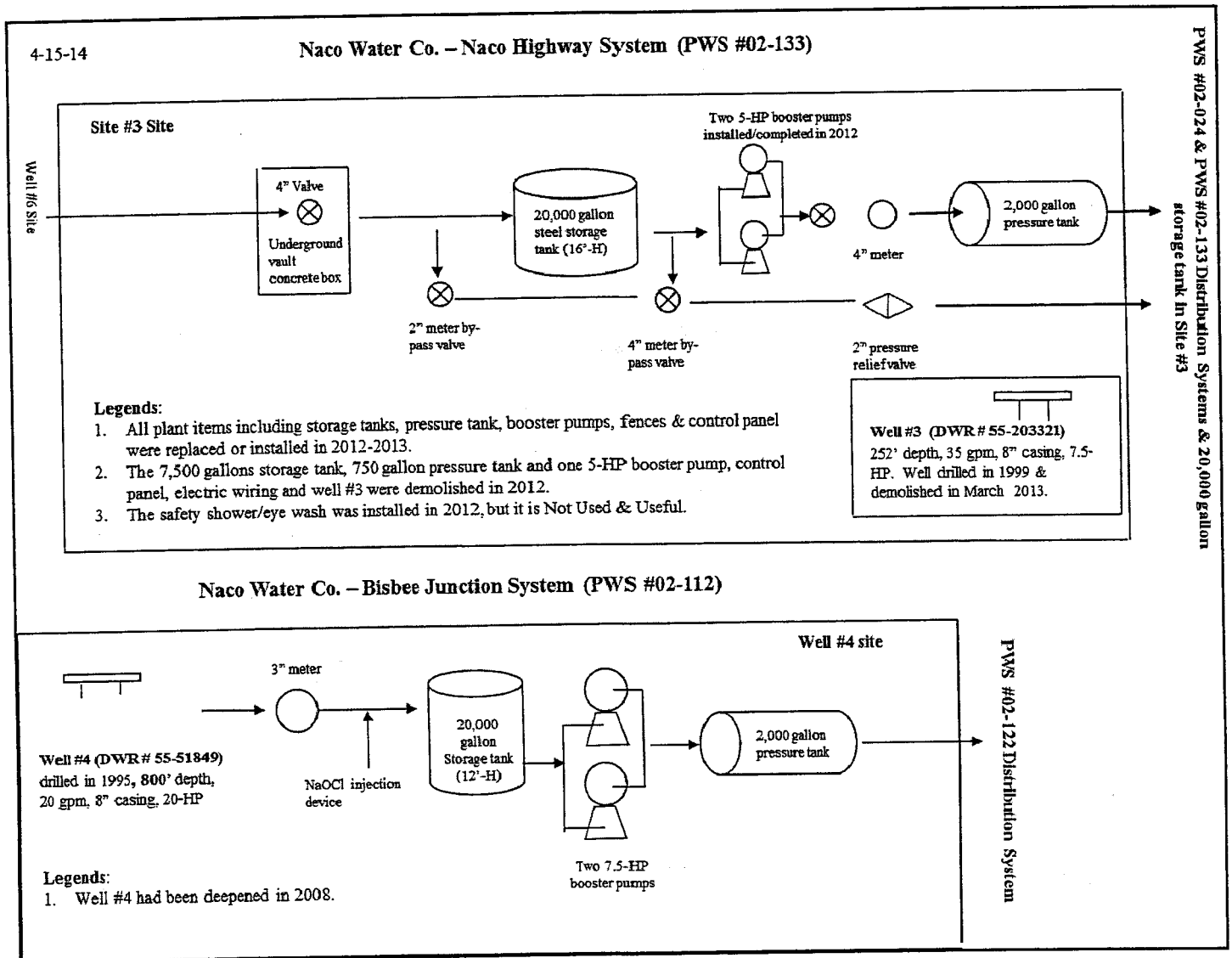


FIGURE 4A WATER USAGE IN NACO SERVICE AREA

**During Test Year (Jan 2012 - Dec 2012) Water Usage In Naco
Water (PWS #02-133) CC&N Area**

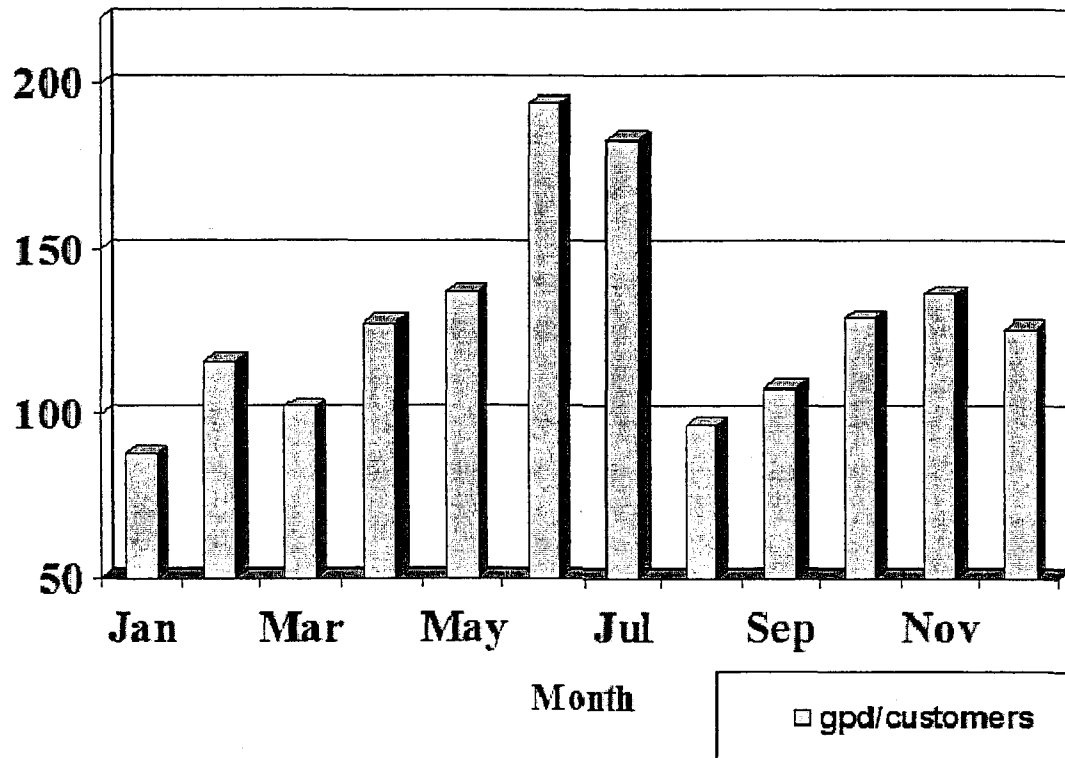


FIGURE 4B WATER USAGE IN NACO SERVICE AREA

**During Test Year (Jan 2012 - Dec 2012) Water Usage In Naco
Water (PWS #02-112) CC&N Area**

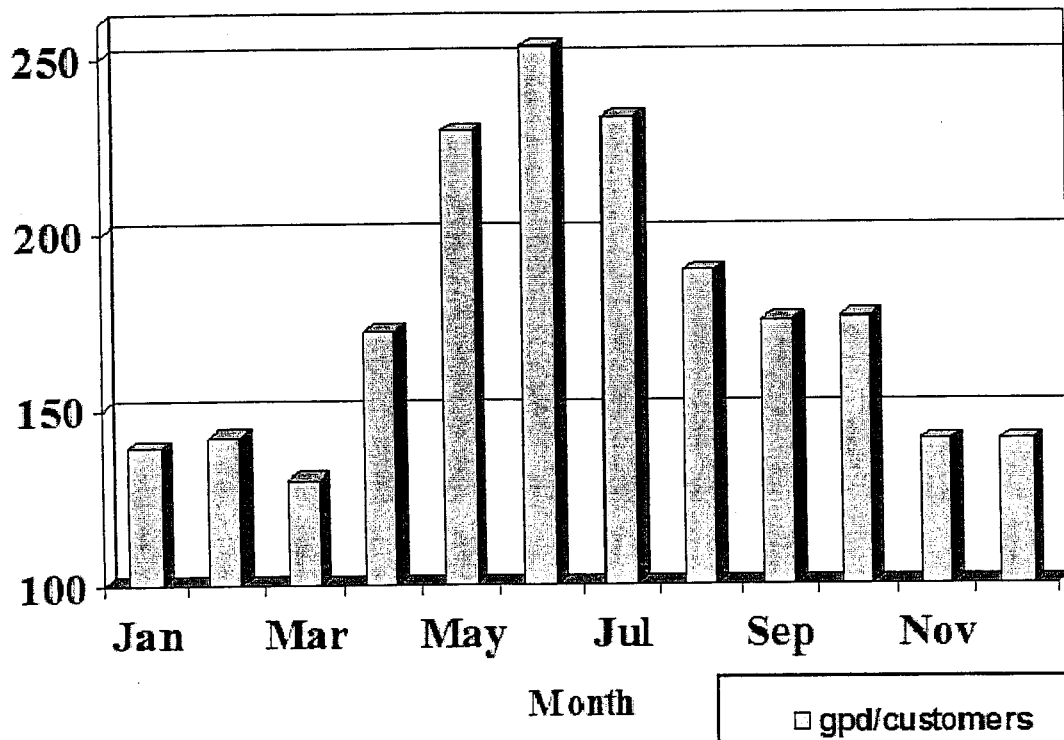


FIGURE 4C WATER USAGE IN NACO SERVICE AREA

**During Test Year (Jan 2012 - Dec 2012) Water Usage In Naco
Water (PWS #02-024) CC&N Area**

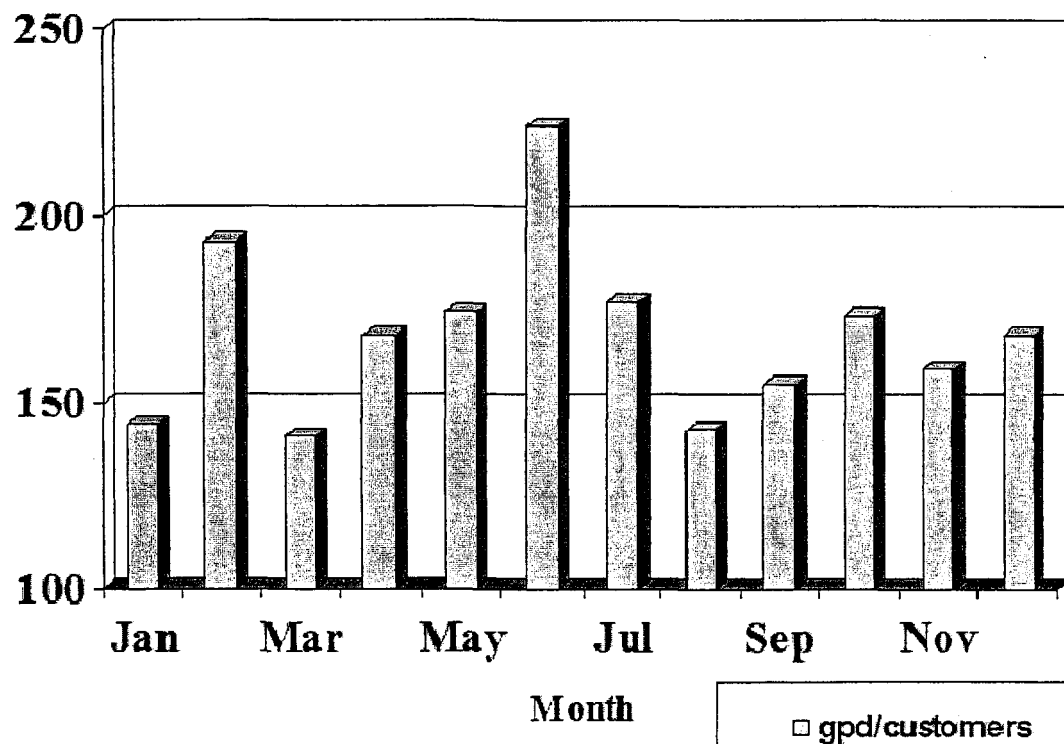


FIGURE 4D WATER USAGES IN NACO SERVICE AREA

Jan 2013 - Dec 2013 Water Usage In PWS #02-112 Service Area

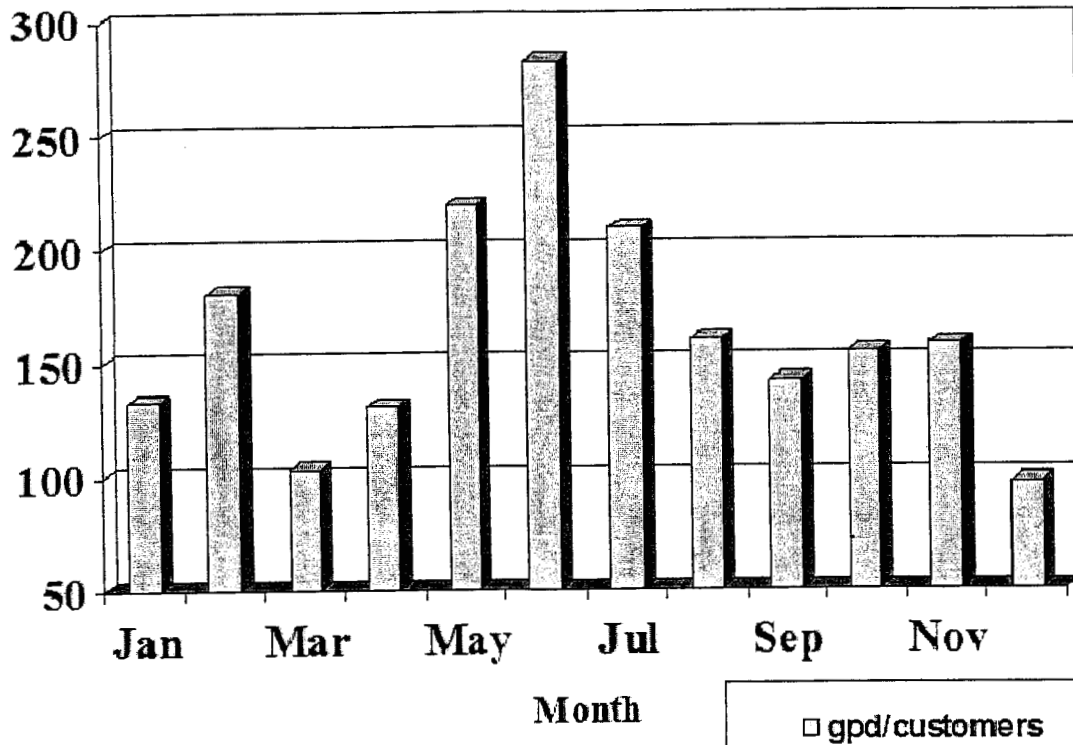
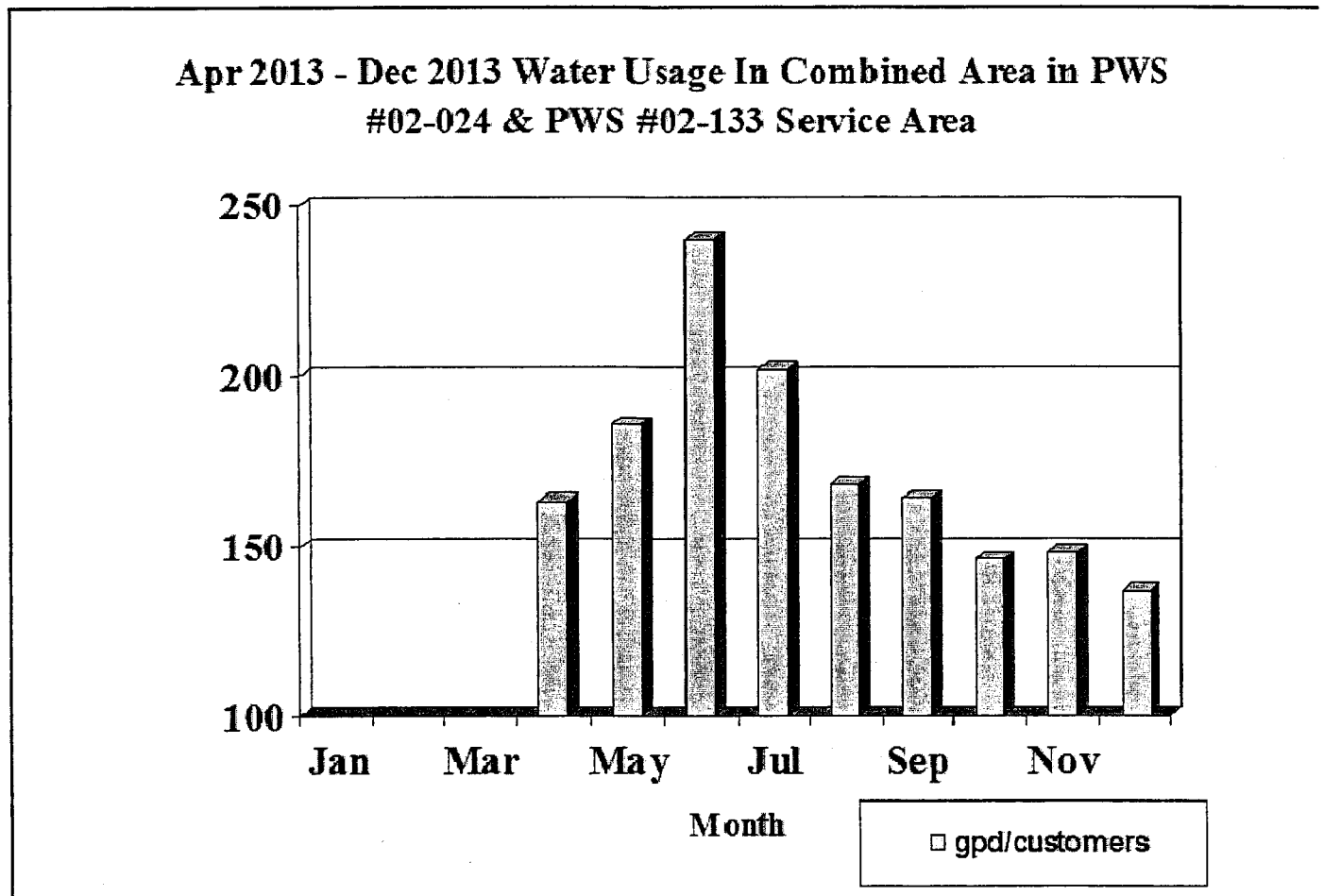


FIGURE 4E WATER USAGE IN NACO SERVICE AREA



**FIGURE 5
DEPRECIATION RATES FOR NACO WATER COMPANY**

Acct. No.	Depreciable Plant	Decision # 69393 (approved rate %)	Company proposed	Staff Recommended Rate (%)
301	Organization	0.00	0.00	0.00
302	Franchises	0.00	N/A	0.00
303	Land and Land Rights	0.00	0.00	0.00
304	Structures & Improvements	3.33	3.33	3.33
305	Collecting & Impounding Reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equipment	5.00	N/A	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment Equipment	3.33	3.33	
320.1	Water Treatment Plants	N/A	N/A	3.33
320.2	Solution Chemical Feeders	N/A	N/A	20.0
330	Distribution Reservoirs & Standpipes	2.22	2.22	
330.1	Storage Tanks	N/A	N/A	2.22
330.2	Pressure Tanks	N/A	N/A	5.00
331	Transmission & Distribution Mains	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	N/A	6.67
339	Other Plant & Misc Equipment	6.67	6.67	6.67
340	Office Furniture & Equipment	6.67	6.67	6.67
340.1	Computers & Software	N/A	33.33	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Stores Equipment	4.00	N/A	4.00
343	Tools, Shop & Garage Equipment	5.00	5.00	5.00
344	Laboratory Equipment	10.00	N/A	10.00
345	Power Operated Equipment	5.00	5.00	5.00
346	Communication Equipment	10.00	10.00	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	----	10.00	10.00

Karyn Christine

From: Karyn Christine
Sent: Friday, July 11, 2014 9:33 AM
To: Steve Wene (swene@law-msh.com)
Cc: Matthew Laudone; Bridget Humphrey
Subject: Staff's Notice of Filing Direct Testimony (W-02860A-13-0399)
Attachments: 13-0399 NOF Direct Testimony.pdf

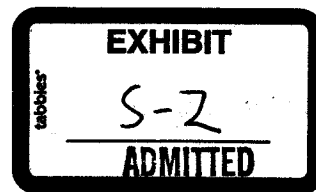
Importance: High

Good Morning,

Attached is Staff's Notice of Filing Direct Testimony filed today in the above docket.

Thank you.

Karyn L. Christine
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
602-542-3402
kchristine@azcc.gov



BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION)
OF NACO WATER COMPANY, LLC)
FOR A PERMANENT INCREASE IN)
ITS WATER RATES AND CHARGES)
_____)

DOCKET NO. W-02860A-13-0399

SURREBUTTAL

TESTIMONY

OF

DOROTHY HAINS, P. E.

UTILITIES ENGINEER

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

August 18, 2014

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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix,
4 Arizona 85007.

5
6 Q. Are you the same Dorothy Hains who has previously filed testimony in this Naco
7 Water Company, LLC ("Naco" or "Company") rate proceeding?

8 A. Yes.

9
10 Q. Have you read the Company's Rebuttal Testimony?

11 A. Yes, I did.

12
13 Q. After Staff reviewed the Company's Rebuttal Testimony, did Staff change its position?

14 A. No.

15
16 Q. Please explain why Staff is filing this Surrebuttal Testimony.

17 A. Staff would like to use this opportunity to further explain its position on safety equipment at
18 Site No. 3 and correct a typographical error in Staff's Engineering Report.

19
20 Q. In the Rebuttal Testimony filed by Ms. Bonnie O'Connor, Ms. O'Connor disagrees
21 with Staff's disallowance of the eye wash and safety shower equipment at Site No. 3.
22 Please explain why Staff disallowed this safety equipment from rate base.

23 A. There is no well at Site No. 3. Water transported to the storage tank at Site No. 3 is
24 disinfected at the Well No. 6 Site and Well No. 2 Site. No disinfection is required at Site No.
25 3. The Operator will not handle any corrosive chemicals, such as chlorine bleach at Site No. 3.

1 Therefore, the eye wash and safety shower equipment at Site No 3 serves no purpose and is
2 not needed. Further, the Company has equipped all active wells (Well No. 2, Well 6 and Well
3 No. 4) with eye wash and safety shower equipment.

4
5 **II. CORRECTION OF A TYPOGRAPHICAL ERROR CONTAINED IN**
6 **ENGINEERING REPORT**

7 **Q. What is the correction Staff would like to make?**

8 **A. Staff mistakenly listed "\$131 for a 5/8 x 3/4 inch size meter charge under Staff's**
9 Recommended Meter Charge" in Table 4 on Page 13 in the Engineering Report. The charge
10 listed should have been \$131.50 instead of \$131.

11
12 **Q. Does this conclude your Surrebuttal Testimony?**

13 **A. Yes, it does.**

EXHIBIT

S-2

ADMITTED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

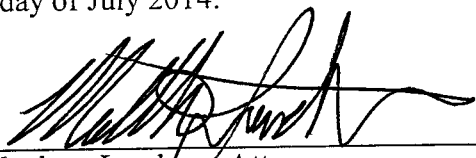
IN THE MATTER OF THE APPLICATION OF
NACO WATER COMPANY, LLC FOR A
PERMANENT INCREASE TO ITS WATER
RATES.

DOCKET NO. W-02860A-13-0399

**STAFF'S NOTICE OF FILING DIRECT
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Direct Testimony of
Phan Tsan and Dorothy Hains in the above docket.

RESPECTFULLY SUBMITTED this 11th day of July 2014.

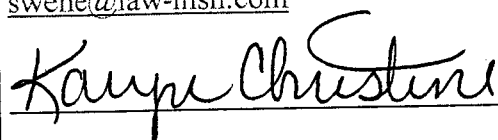

Matthew Laudone, Attorney
Bridget A. Humphrey, Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
11th day of July 2014 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing emailed/mailed
this 11th day of July 2014 to:

Steve Wene
Moyes Sellers & Hendricks Ltd.
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004
swene@law-msh.com





BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION OF)
NACO WATER COMPANY, LLC FOR A)
PERMANENT INCREASE TO ITS WATER)
RATES.)

DOCKET NO W-02860A-13-0399

DIRECT

TESTIMONY

OF

PHAN TSAN

PUBLIC UTILITIES ANALYST I

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JULY 11, 2014

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**EXECUTIVE SUMMARY
NACO WATER COMPANY, LLC
DOCKET NO. W-02860A-13-0399**

Naco Water Company, LLC ("Naco" or "Company") is an Arizona limited liability company. Naco is located in Cochise County. The Company owns and operates three water systems: Arizona Department of Environmental Quality ("ADEQ") Public Water System ("PWS") Identification No. 02-024 (referred to as the Main or Township System), PWS No. 02-112 (referred to as the Well No. 4 or Bisbee System) and PWS No. 02-133 (referred to as the Site No. 3 or Bisbee Highway system). The Company served approximately 375 customers during the test year ended December 31, 2012. The Company's current rates were approved in Decision No. 69393, dated March 22, 2007.

Naco is a Class C Utility as defined by Arizona Administrative Code ("A.A.C.") R14-2-103 and is certificated to provide water service as a public service company in the State of Arizona. On November 20, 2013, the Company filed a rate increase application. On December 11, 2013, the Company docketed an amendment to the Application. On February 10, 2014, Staff filed a letter declaring the Company's rate application sufficient.

RATE APPLICATION:

The Company's proposed rates, as filed, would increase operating revenue by \$50,083 to produce operating revenue of \$305,172 resulting in operating income of \$67,363, or a 19.63 percent increase over test year revenue of \$255,089. The Company also proposed a fair value rate base ("FVRB") of \$1,508,251 which is its original cost rate base ("OCRB"). The Company proposed a \$49,528 free cash flow with an after tax Debt Cover Ratio ("DSC") of 1.68. The Company's proposed rates would increase the typical 5/8-inch meter residential bill with a median usage of 3,990 gallons from \$52.53 to \$62.48, for an increase of \$9.94 or 18.93 percent.

Staff recommends increasing operating revenue by \$32,142 to produce operating revenue of \$287,231 resulting in operating income of \$85,876 or a 12.60 percent increase over test year revenue of \$255,089. Staff also recommends an adjusted FVRB of \$1,394,639 which is its adjusted OCRB. Staff recommends a \$40,000 free cash flow with an after tax DSC of 1.40. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 3,990 gallons from \$52.53 to \$58.53, for an increase of \$6.00 or 11.42 percent.

Staff further recommends:

The Commission order Naco's accounting books and records be brought into compliance with National Association of Regulatory Utility Commissioners Uniform System of Accounts ("NARUC USoA"), by December 31, 2014. The Company shall file an affidavit with the Commission confirming compliance with this condition by January 30, 2015.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Phan Tsan. I am a Public Utilities Analyst I with the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Briefly describe your responsibilities as a Public Utilities Analyst I.

A. I am responsible for the examination and verification of financial and statistical information included in utility rate applications. In addition, I develop revenue requirements, prepare written reports, testimonies, and schedules that include Staff recommendations to the Commission. I am also responsible for testifying at formal hearings on these matters.

Q. Please describe your educational background and professional experience.

A. I graduated from Grand Canyon University with a Bachelor of Science in Finance and Economics, and a Master of Science in Accounting. I began employment with the Arizona Corporation Commission in October of 2013. I have participated in rate, financing and other regulatory proceedings since joining the Commission. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Utilities Rate School.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff's analysis and recommendations regarding Naco Water Company, LLC's ("Naco" or "Company") application for a rate increase. I am presenting testimony and schedules addressing rate base, operating revenues and expenses, revenue requirements and rate design. Ms. Dorothy Hains is presenting Staff's engineering analysis and related recommendations.

1 **Q. What is the basis of your recommendations?**

2 A. I performed a regulatory audit of the Company's application to determine whether sufficient,
3 relevant, and reliable evidence exists to support the Company's requested rate increase. The
4 regulatory audit consisted of examining and testing the financial information, accounting
5 records, and other supporting documentation and verifying that the accounting principles
6 applied were in accordance with the Commission-adopted NARUC USoA.

7
8 **BACKGROUND**

9 **Q. Please provide a brief description of Naco and the service it provides.**

10 A. Naco is an Arizona Class C utility engaged in the business of providing water service in
11 portions of Cochise County, Arizona. Naco serves approximately 375 customers. The
12 Company's current rates were approved in Decision No. 69393, dated March 22, 2007.

13
14 **Q. What are the primary reasons for Naco's requested permanent rate increase?**

15 A. According to the Company, the primary reasons for the requested increase is that its DSC
16 had fallen to 0.91 but Naco's loan agreement with the Water Infrastructure Finance Authority
17 ("WIFA"), previously approved by the Commission, requires Naco to maintain a DSC of 1.2.

18
19 **CONSUMER SERVICE**

20 **Q. Please provide a brief history of customer complaints received by the Commission**
21 **regarding Naco.**

22 A. Staff reviewed the Commission's Consumer Service records for the period of January 1, 2011
23 through present date, and found the following:
24 2011 – Two complaints: One Quality of Service, One Disconnect/Terminations
25 2012 – No complaints

1 2013 – Four complaints: One Billing High/Low, One Billing Disputed, two
2 Disconnect/Terminations-Non Pay.

3 2014 – Four Complaints: Two Quality of Service-Outage/Interruptions, One Service not
4 Working, One Rate Case Item.

5 All complaints are resolved and closed.

6 Six Opinions – All opposed to the proposed rate increase.

7
8 **COMPLAINCE**

9 **Q. Please provide a summary of the compliance status of Naco.**

10 A. A check of the Utilities Division Compliance Section's database as of May, 2013, showed no
11 delinquent compliance items for Naco.

12
13 **SUMMARY OF PROPOSED REVENUES**

14 **Q. Please summarize the Company's filing.**

15 A. The Company-proposed rates, as filed, produce total operating revenue of \$305,172, a \$50,083
16 (19.63 percent) increase, over the test year revenue of \$255,089, to provide a \$67,363
17 operating income and a 4.47 percent rate of return on a proposed \$1,508,251 fair value rate
18 base ("FVRB") which is also the proposed original cost rate base ("OCRB"). The rate
19 application indicates that Naco incurred a \$25,965 operating income for the test year ending
20 December 31, 2012. The Company proposed a \$49,528 free cash flow with an after tax Debt
21 Service Coverage ("DSC") ratio of 1.68. The Company's proposed rates would increase the
22 typical 5/8-inch meter residential bill with a median usage of 3,990 gallons from \$52.53 to
23 \$62.48, for an increase of \$9.94 or 18.93 percent.

1 **Q. Please summarize Staff's recommendation.**

2 A. Staff recommends increasing operating revenue by \$32,142 to produce operating revenue of
3 \$287,231 resulting in operating income of \$85,876 or a 12.60 percent increase over test year
4 revenue of \$255,089. Staff also recommends a 6.16 percent rate of return on an adjusted
5 FVRB of \$1,394,639 which is its adjusted OCRB. Staff recommends a \$40,000 free cash flow
6 with an after tax DSC of 1.40. Staff's recommended rates would increase the typical 5/8-
7 inch meter residential bill with a median usage of 3,990 gallons from \$52.53 to \$58.53, for an
8 increase of \$6.00 or 11.42 percent.

9
10 **Q. What test year did Naco utilize in this filing?**

11 A. Naco's test year is based on the twelve months ended December 31, 2012.
12

13 **Q. Please summarize Staff's rate base and operating income adjustments for Naco.**

14 A. My testimony addresses the following issues:

15 *Rate Base Adjustments*

16 Reclassification of Distribution Reservoirs and Standpipes – This adjustment removes the
17 amount of \$2,357 from Distribution Reservoirs and Standpipes, adds the amount of \$1,648 to
18 Pumping Equipment and \$709 to Pressure Tanks.

19
20 Transmission and Distribution Main – This adjustment removes the amount of \$285,898
21 from Transmission and Distribution Main, adds the amount of \$225,051 to Services, \$37,100
22 to Meters & Meters Installation, and \$5,279 to Wells & Springs.

23
24 Post-Test Year Plant Additions – This adjustment reflects plant additions that were placed in
25 service after the end of test year. The adjustment increases Total Plant in Service by
26 \$1,182,522.

1 Plant Retirements – This adjustment reflects the removal of plant items that are no longer in
2 service. The adjustment decreases Total Plant in Service by \$49,711.

3
4 Accumulated Depreciation – This adjustment reflects Staff's calculation of accumulated
5 depreciation based on Staff's adjustments to plant. The adjustment increases Accumulated
6 Depreciation by \$69,678.

7
8 Contributions In Aid of Construction ("CIAC") – This Adjustment reflects Contributions
9 from Freeport MacMoran ("Freeport") included in Post-test Year Plant. The adjustment
10 increases Net CIAC by \$1,158,276.

11
12 *Operating Income Adjustments*

13 Materials and Supplies – This adjustment decreases Materials and Supplies by \$5,756. It
14 reclassifies \$ 3,871 to Contractual Service-Other account to reflect the proper classification of
15 costs incurred for the services not performed by utility employees and removes \$1,885 out-of
16 test year expenses.

17
18 Reclassification of Office Supplies and Expenses – This adjustment removes the entire
19 amount of \$33,446 from Office Supplies and Expenses. It reclassifies \$27,270 to Interest
20 Expense, \$2,250 to Contractual Services-Billing, and \$3,926 to Miscellaneous Expense to be
21 in compliance with NARUC USoA.

22
23 Reclassification of Outside Service – This adjustment reclassifies the entire amount of
24 \$58,374 from Outside Service to Contractual Services-Professional to be in compliance with
25 NARUC USoA.
26

1 Contract Services- Water Testing Expense – This adjustment increases water testing expense
2 by \$486 to reflect Staff's recommended annual water testing costs, per the Staff Engineering
3 Report.

4
5 Rate Case Expense – This adjustment decreases rate case expense by \$3,692 to reflect the
6 normalization of the rate case expense over a five-year period.

7
8 Depreciation Expense - This adjustment decreases depreciation expense by \$765 to reflect
9 Staff's adjustments in plant and CIAC balances.

10
11 Property Taxes - This adjustment decreases property taxes by \$930 to reflect application of
12 the modified version of the Arizona Department of Revenue's property tax methodology
13 which the Commission has consistently adopted. This adjustment is based on the calendar
14 year 2015, 18.5 percent assessment ratio.

15
16 **RATE BASE**

17 *Fair Value Rate Base*

18 **Q. Did the Company prepare schedules showing the elements of Reconstruction Cost**
19 **New Rate Base?**

20 **A. No, the Company did not. The Company's filing treats the OCRB the same as the FVRB.**
21

22 *Rate Base Summary*

23 **Q. Please summarize Staff's recommendation for Naco's rate base shown on Schedules**
24 **PNT-3 and PNT-4.**

25 **A. Staff recommends \$1,394,639 for rate base, a decrease of \$113,612 from the Company's**
26 **proposed \$1,508,251 rate base.**

Rate Base Adjustment No. 1 – Reclassification of Distribution Reservoir and Standpipes to Pumping Equipment and Pressure Tank

Q. What amount did the Company propose for Distribution Reservoir and Standpipes?

A. The Company proposed \$137,771.

Q. During the course of the audit, did Staff determine that some amounts should be reclassified?

A. Yes, Staff reviewed the invoices provided by the Company and determined that some plant should be reclassified.

Q. What is Staff's recommendation?

A. Staff recommends decreasing this account by \$2,357. It reclassifies \$1,648 to the Pumping Equipment account and \$709 to the Pressure Tank account as shown on Schedules PNT-4 and PNT-5.

Rate Base Adjustment No. 2 – Reclassification of Transmission & Distribution Mains and removal of non-relevant costs.

Q. What amount did the Company propose for Transmission and Distribution Mains?

A. The Company proposed \$1,498,997.

Q. During the course of the audit, did Staff determine that some amounts should be reclassified and some costs should be removed?

A. Yes, Staff reviewed invoices provided by the Company and determined that some plant should be reclassified to Services account, Meters account, and Wells and Spring account; and the cost of 2006 rate case, 2006 WIFA Grant application expense and the cost of a water trailer should be removed from this account.

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends decreasing this account by \$285,898. It reclassifies \$225,051 to Services
3 account, \$37,100 to Meters account, and \$5,279 to Wells and Spring account. It removes
4 \$11,748 cost of 2006 rate case and WIFA Grant application expenses. It also removes \$6,720
5 cost of a water trailer which has been already included in Transportation account, as shown
6 on Schedules PNT-4 and PNT-6.

7
8 *Rate Base Adjustment No. 3 – Post-Test Year Plant*

9 **Q. What amount of plant did Naco propose?**

10 B. Naco proposed \$2,222,903 of plant-in-service.

11
12 **Q. Did Staff identify any post-test year plant that was not included in rate base by the**
13 **Company?**

14 A. Yes, Staff identified post-test year plant additions in the Structures and Improvement
15 (account number 304), Wells and Springs (account number 307) Electrical Pumping
16 Equipment (account number 311), Storage Tank (account number 330.1), Pressure Tank
17 (account number 330.2), and Transmission and Distribution Mains (account number 331),
18 with total cost of \$1,182,522 that was placed in service after the test year and deemed to be
19 used and useful.

20
21 **Q. What was the basis of Staff's determination?**

22 A. Staff's Engineer inspected the entire system and identified new plant items at Site No. 3 and
23 Well No. 6 were completed in March 2013, after the test year. Staff observed that they are in
24 service and used and useful to the Company's provision of service at the time of Staff's
25 inspection.

26

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends increasing total plant in service by \$1,182,522 as shown on Schedules
3 PNT-4 and PNT-7.

4
5 *Rate Base Adjustment No. 4 – Plant Retirements*

6 **Q. Did Staff identify any Plant Retirements?**

7 A. Yes, Staff identified plant retirements in the Wells & Springs (account number 307), Electrical
8 Pumping Equipment (account number 311) and Distribution Reservoirs & Standpipes
9 (account number 330), with a total cost of \$49,711 that were retired when the post-test year
10 plant additions were brought into service and not removed from plant in service by the
11 Company.

12
13 **Q. What was the basis of Staff's determination?**

14 A. Staff's Engineer inspected the entire system and identified plant items in the Wells & Springs
15 (account number 307), Electrical Pumping Equipment (account number 311) and
16 Distribution Reservoirs & Standpipes (account number 330), that were not in service.
17 Therefore, these plant items are no longer used and useful to the Company's provision of
18 service.

19
20 **Q. What is Staff's recommendation?**

21 A. Staff recommends decreasing total plant in service by \$49,711, as shown on Schedules PNT-4
22 and PNT-8.

23 *Rate Base Adjustment No. 5 – Accumulated depreciation for fully depreciated plant.*

24 **Q. What did the Company propose for accumulated depreciation?**

25 A. The Company's application proposes \$670,808 for Accumulated Depreciation.
26

1 **Q. Did Staff adjust the amounts proposed for accumulated depreciation?**

2 A. Yes.

3
4 **Q. How did Staff calculate the adjustment?**

5 A. Staff recalculated the accumulated depreciation balance using Staff-adjusted plant in service
6 balances. Staff also starts depreciating \$32,885 Wells and Springs and \$591,253 Transmission
7 & Distribution Mains in 2009, instead of 2011 as Company proposed¹, since they were
8 deemed used and useful in 2009.

9
10 **Q. What is Staff's recommendation?**

11 A. Staff recommends increasing accumulated depreciation by \$69,678 as shown on Schedules
12 PNT-4 and PNT-9

13
14 *Rate Base Adjustment No. 6 – CIAC and amortization of CIAC*

15 **Q. Did the Company provide a schedule of CIAC since the last rate case?**

16 A. Yes. The Company provided a schedule showing CIAC added since the last rate case and
17 amortization of CIAC since the last rate case.

18
19 **Q. Did Staff recalculate an amount for CIAC and CIAC amortization?**

20 A. Yes, Staff calculated the CIAC balance for the end of the test year and post-test year using
21 schedules provided by the Company including the balance of accumulated amortization of
22 CIAC.

23
24
25

¹ The Company proposed \$629,211 for 2011 Transmission and Distribution Mains. Staff's adjustments decrease this account by \$37,958, from \$629,211 to \$591,253.

1 **Q. Did Staff's calculations match the Company's proposed net CIAC?**

2 A. No, Company's calculation does not include contributions funded by Freeport for post-test
3 year plant additions which are deemed used and useful.

4
5 **Q. What is Staff's recommendation?**

6 A. Staff recommends increasing gross CIAC by \$1,182,522 and increasing CIAC amortization by
7 \$24,246, a net increase of \$1,158,276 as shown on PNT-4 and PNT-10

8
9 **OPERATING INCOME**

10 *Operating Income Summary*

11 **Q. What are the results of Staff's analysis of test year revenues, expenses and operating**
12 **income?**

13 A. As shown in Schedules PNT-11 and PNT-12, Staff's analysis resulted in Staff-adjusted test
14 year revenues of \$255,089, expenses of \$195,068 and operating income of \$60,021. The
15 Company's application shows test year revenues of \$255,089, expenses of \$229,124 and an
16 operating income of \$25,965.

17
18 *Operating Income Adjustment No. 1 -Materials and Supplies*

19 **Q. What did the Company propose for Materials and Supplies?**

20 A. The Company proposed \$8,127 for Materials and Supplies.

21
22 **Q. What adjustment did Staff make?**

23 A. Staff reclassified \$3,871 from this account to the Contractual Service-Other account to reflect
24 the proper classification of costs incurred for the services not performed by utility employees.
25 Staff also removed \$1,885 in out-of test year expenses.

26

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends decreasing Materials and Supplies expense by \$5,756 as shown on
3 Schedules PNT-12 and PNT-13.
4

5 *Operating Income Adjustment No. 2 – Reclassification of Office Supplies and Expense*

6 **Q. What is the Company proposing for Office Supplies and Expense?**

7 A. The Company is proposing Office Supplies and Expense of \$33,446.
8

9 **Q. What adjustment did Staff make?**

10 A. There is no Office Supplies and Expense account under the NARUC USoA. Therefore, Staff
11 reclassified this account to appropriate accounts to be in compliance with NARUC USoA.
12 Staff reclassifies \$27,270 from this account to Interest Expense account. Per examination of
13 the WIFA loan agreements and discussion with WIFA's loan officer, Ms. Patricia Incognito,
14 the amount of \$27,270 which Naco claimed as "WIFA fee expense" should be classified as
15 Interest Expense. Staff also reclassifies \$3,926 to Miscellaneous Expense, and \$2,250 to
16 Contractual Services-Billing account to reflect proper classification of costs.
17

18 **Q. What is Staff's recommendation?**

19 A. Staff recommends decreasing Office Supplies and Expenses by \$33,466, from \$33,466 to \$0,
20 as shown on Schedules PNT-12 and PNT-14.
21

22 *Operating Income Adjustment No. 3 – Reclassification of Outside Services*

23 **Q. What is the Company proposing for Outside Services?**

24 A. The Company is proposing Outside Services of \$58,374.
25
26

1 **Q. What adjustment did Staff make?**

2 A. Staff reclassifies the entire amount from this account to Contractual Services-Professional to
3 be in compliance with NARUC USoA.

4
5 **Q. What is Staff's recommendation?**

6 A. Staff recommends decreasing Outside Services by \$58,374 from \$58,374 to \$0, and increasing
7 Contractual Services-Professional by \$58,374 as shown on Schedules PNT-12 and PNT-15.

8
9 *Operating Income Adjustment No. 4 – Water Testing*

10 **Q. What did the Company propose for water testing expense?**

11 A. The Company proposed \$3,596 for water testing expense.

12
13 **Q. What adjustment did Staff make?**

14 A. Staff adjusted annual water testing costs to reflect Staff's recommended \$4,082 water testing
15 expense as discussed in greater detail by Staff witness Dorothy Hains.

16
17 **Q. What is Staff's recommendation?**

18 A. Staff recommends increasing water testing expense by \$486 as shown on Schedules PNT-12
19 and PNT-16.

20
21 *Operating Income Adjustment No. 5 – Rate Case Expense*

22 **Q. What did the Company propose for Rate Case expense?**

23 A. The Company proposed \$27,690 for rate case expense, and amortized it over 3 years.

24

25

26

1 **Q. What adjustment did Staff make?**

2 A. Staff normalized the rate case expense of \$27,690 over a five-year period. Staff's calculation is
3 shown on schedule PNT-17.

4
5 **Q. Why did Staff make this adjustment?**

6 A. Staff usually normalizes rate case expense over a 3- to 5-year period. In this case, Naco has
7 not been in for a rate case in approximately seven years; therefore, Staff concludes that
8 normalizing the rate case expense over a five-year period is more appropriate.

9
10 **Q. What is Staff's recommendation?**

11 A. Staff recommends decreasing rate case expense by \$3,692 as shown on Schedules PNT-12
12 and PNT-17.

13
14 *Operating Income Adjustment No. 6 – Depreciation Expense*

15 **Q. What did the Company propose for Depreciation Expense?**

16 A. The Company proposed \$54,654 for depreciation expense.

17
18 **Q. What adjustment did Staff make?**

19 A. Staff adjusted depreciation expense to reflect Staff's calculation of depreciation expense using
20 Staff's adjusted plant and CIAC balances. Staff's calculation is shown on schedule PNT-18.

21
22 **Q. What is Staff's recommendation?**

23 A. Staff recommends decreasing depreciation expense by \$765 as shown on Schedules PNT-12
24 and PNT-18.

25

26

Operating Income Adjustment No. 7 – Property Taxes

Q. Did Staff review the Company's property tax calculation?

A. Yes.

Q. Did the Company use the modified ADOR calculation for property tax expense?

A. For the most part Staff and the Company used the same methodology to calculate the property taxes with two exceptions. The Company proposes an assessment ratio of 20 percent; Staff is recommending an 18.5 percent assessment ratio in keeping with Arizona Revised Statutes ("ARS") § 42-15001. The assessment ratio is 18.5 percent beginning from and after December 31, 2014 through December 31, 2015. Staff does not include 10% of CWIP and net Book value of Licensed Vehicles as Company proposed. Since Post-test year plant was deemed used and useful, there is no CWIP and the net book value of the vehicles is \$0 at the end of 2013.

Q. What is Staff's recommendation?

A. Staff recommends \$11,556 for test year property tax expense, a \$930 decrease to the Company's proposed amount, as shown in Schedule PNT-19.

REVENUE REQUIREMENT

Q. What does the Company propose for an increase in operating revenue?

A. The Company proposes increasing operating revenue by \$50,083 from \$255,089 to \$305,172. This is an increasing of 19.63 percent over test year revenue.

Q. What does Staff recommend for an increase in operating revenue?

A. Staff recommends increasing operating revenue by \$32,142 from \$255,089 to \$287,231. This is an increase of 12.60 percent over test year revenue.

1 **Q. How did Staff determine its recommended operating revenue?**

2 **A.** Staff determined its recommended revenue requirement by cash flow and the need for
3 sufficient DSC ratio.

4
5 **Q. Why did Staff not use the rate base/rate of return methodology to determine the**
6 **Company's revenue requirement?**

7 **A.** The Company failed to file Cost of Capital Analysis. However, Staff estimated the potential
8 Cost of Capital would be under 5 percent. Therefore, Staff used Cash Flow/DSC analysis to
9 determine revenue requirement. Staff believes that its recommended cash flow provides the
10 Company sufficient funds to meet debt service requirements and operating expenses, and to
11 manage contingencies.

12
13 **CASH FLOW ANALYSIS**

14 **Q. What does the Company propose for cash flow?**

15 **A.** The Company proposes increasing cash flow by \$41,398 from \$8,130 to \$49,528. The
16 proposed cash flow will allow an after-tax DSC ratio of 1.68, as showed on schedule PNT-21.

17
18 **Q. What does Staff recommend for an increase in cash flow?**

19 **A.** Staff recommends increasing cash flow by \$25,528 from \$14,146 to \$40,000. The
20 recommended cash flow will allow an after-tax DSC ratio of 1.40, as showed on schedule
21 PNT-21.

22
23 **Q. Would you briefly define the DSC ratio?**

24 **A.** DSC measures an entity's ability to generate cash flow to pay its debt service obligations
25 (interest and principal) from operating activities. It is calculated by dividing (1) earnings
26 before interest, income taxes, and depreciation expense by (2) the principal and interest

1 payments. When DSC is greater than 1.0, operating cash flow is sufficient to cover debt
2 obligations.

3
4 **RATE DESIGN**

5 **Q. Has Staff prepared a schedule summarizing the present, Company proposed, and**
6 **Staff recommended rates and service charges?**

7 A. Yes. Schedule PNT-22 provides a summary of the Company's present, Company's proposed,
8 and Staff's recommended rates.

9
10 **Q. Please summarize the present rate design.**

11 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
12 size (except 5/8 x 3/4-inch and 3/4-inch meter size) and include no gallons. The commodity
13 rates are based on an inverted three-tier rate design for residential 5/8 x 3/4-inch and 3/4-
14 inch meters, an inverted two-tier rate design for Commercial 5/8 x 3/4-inch and 3/4-inch
15 meters, and all 1-inch and larger meters.

16
17 **Q. Please summarize the Company's proposed rate design.**

18 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
19 size (except 5/8 x 3/4-inch and 3/4-inch meter size) and include no gallons. The commodity
20 rates are based on an inverted three-tier rate design for all 5/8 x 3/4-inch and 3/4-inch
21 meters, an inverted two-tier rate design for all 1-inch and larger meters. The Company's
22 proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median
23 usage of 3,990 gallons from \$52.53 to \$62.48, for an increase of \$9.94 or 18.93 percent, as
24 shown on Schedule PNT-23.

25
26

1 **Q. Please summarize Staff's recommended rate design.**

2 A. Customer class is distinguished by meter size. The monthly minimum charges vary by meter
3 size and include no gallons. The commodity rates are based on an inverted three-tier rate
4 design for Residential 5/8 x 3/4-inch and 3/4-inch meters, an inverted two-tier rate design
5 for Commercial 5/8 x 3/4-inch and 3/4-inch meters, and all 1 inch and larger meters. Staff's
6 recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a
7 median usage of 3,990 gallons from \$52.53 to \$58.53, for an increase of \$6.00 or 11.42
8 percent, as shown on Schedule PNT-23.

9
10 **Q. Did the Company propose any changes to its Meter and Service Line Charges?**

11 A. Yes. Staff recommends approval of its recommended service charges which are the same as
12 the Company's. Both the Company-proposed and the Staff-recommended changes are
13 shown on Schedule PNT-22 and are discussed in the testimony of Staff witness, Ms. Dorothy
14 Hains.

15
16 **SERVICE CHARGES**

17 **Q. Did the Company propose any changes to the service charges?**

18 A. Yes. The Company proposes to discontinue the Establishment (After Hours), Re-
19 establishment (within 12 Months after Hours) charge and the Reconnection (Delinquent –
20 After Hours) and to add an After Hours Charge of \$35.

21
22 **Q. Does Staff agree with the Company's proposal to discontinue the \$30 Establishment**
23 **(After Hours), Re-establishment (After Hours) Charge and the \$30 Reconnection**
24 **(Delinquent – After Hours) and to add a \$35 After Hours Charge?**

25 A. Yes.
26

1 **OTHER RECOMMENDATION**

2 **Q.** Are the Company's accounting books and records currently in compliance with
3 NARUC USoA?

4 **A.** No.

6 **Q.** What is Staff's other recommendation?

7 **A.** Staff recommends the Commission order Naco Water Company, LLC's accounting books
8 and records be brought into compliance with NARUC USoA by December 31, 2014. The
9 Company shall file an affidavit with the Commission confirming compliance with this
10 condition by January 30, 2015.

12 **Q.** Does this conclude Staff's direct testimony?

13 **A.** Yes, it does.

Naco Water Company, LLC.
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule PNT-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	[A] COMPANY ORIGINAL COST	[B] STAFF ORIGINAL COST
1	Adjusted Rate Base	\$ 1,508,251	\$ 1,394,639
2	Adjusted Operating Income (Loss)	25,965	60,021
3	Current Rate of Return (L2 / L1)	1.72%	4.30%
4	Required Rate of Return	4.47%	6.16%
5	Required Operating Income (L4 * L1)	67,363	85,876
6	Operating Income Deficiency (L5 - L2)	41,398	25,854
7	Gross Revenue Conversion Factor	1.20980	1.23277
8	Increase (Decrease) In Gross Revenue (L7 * L6)	50,083	32,142
9	Adjusted Test Year Revenue	255,089	255,089
10	Proposed Annual Revenue (L8 + L9)	305,172	287,231
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)	19.63%	12.60%
12	Proposed Cash Flow	49,528	40,000
13	Operating Margin	22.07%	29.90%

References:

Column [A]: Company Schedules A-1

Column [B]: Staff Schedules PNT-2, PNT-3, & PNT-11

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)
<u>Calculation of Gross Revenue Conversion Factor:</u>				
1	Revenue	100.0000%		
2	Uncollectible Factor (Line 11)	0.0000%		
3	Revenues (L1 - L2)	100.0000%		
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	18.8816%		
5	Subtotal (L3 - L4)	81.1184%		
6	Revenue Conversion Factor (L1 / L5)	1.232766		
<u>Calculation of Uncollectible Factor:</u>				
7	Unity	100.0000%		
8	Combined Federal and State Tax Rate (Line 17)	17.6378%		
9	One Minus Combined Income Tax Rate (L7 - L8)	82.3622%		
10	Uncollectible Rate	0.0000%		
11	Uncollectible Factor (L9 * L10)	0.0000%		
<u>Calculation of Effective Tax Rate:</u>				
12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%		
13	Arizona State Income Tax Rate	3.1033%		
14	Federal Taxable Income (L12 - L13)	96.8967%		
15	Applicable Federal Income Tax Rate	15.0000%		
16	Effective Federal Income Tax Rate (L14 x L15)	14.5345%		
17	Combined Federal and State Income Tax Rate (L13 + L16)	17.6378%		
<u>Calculation of Effective Property Tax Factor:</u>				
18	Unity	100.0000%		
19	Combined Federal and State Income Tax Rate (L17)	17.6378%		
20	One Minus Combined Income Tax Rate (L18-L19)	82.3622%		
21	Property Tax Factor	1.5101%		
22	Effective Property Tax Factor (L20*L21)	1.2437%		
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)			18.8816%
24	Required Operating Income	\$ 85,876		
25	Adjusted Test Year Operating Income (Loss)	60,021		
26	Required Increase in Operating Income (L24 - L25)		\$ 25,854	
27	Income Taxes on Recommended Revenue	\$ 10,412		
28	Income Taxes on Test Year Revenue	4,829		
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)		5,584	
30	Recommended Revenue Requirement	\$ 287,231		
31	Uncollectible Rate (Line 10)	0.0000%		
32	Uncollectible Expense on Recommended Revenue (L30*L31)	\$ -		
33	Adjusted Test Year Uncollectible Expense	\$ -		
34	Required Increase in Revenue to Provide for Uncollectible Exp. (L32-L33)			-
35	Property Tax with Recommended Revenue	\$ 12,042		
36	Property Tax on Test Year Revenue	11,556		
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)		485	
38	Total Required Increase in Revenue (L26 + L29 + L34 + L37)		\$ 31,923	
<u>Calculation of Income Tax:</u>				
		Test Year	Staff Recommended	
39	Revenue	\$ 255,089	\$ 32,142	\$ 287,231
40	Operating Expenses Excluding Income Taxes	190,458	\$ 485	190,943
41	Synchronized Interest (L56)	\$ 31,558		\$ 31,558
42	Arizona Taxable Income (L39 - L40 - L41)	\$ 33,073		\$ 64,730
43	Arizona State Income Tax Rate	2.7046%		2.8996%
44	Arizona Income Tax (L42 x L43)	\$ 895		\$ 1,877
45	Commission Tax Allowance Policy - Federal Taxable Income (L37- L39)	\$ 32,179		\$ 62,853
46	Commission Tax Allowance Policy - Federal Effective Tax	12.2264%		13.5800%
47	Commission Tax Allowance Policy - Federal Tax	3,934		8,535
48	Combined Federal and State Income Tax (L44 + L51)	\$ 4,829		\$ 10,412
<u>Calculation of Interest Synchronization:</u>				
49	Rate Base	\$ 1,394,639		
50	Weighted Average Cost of Debt	2.26%		
51	Synchronized Interest (L50x L51)	\$ 31,558		

Line No. Description	Test Year	Staff Recommended
1 <u>Calculation of Income Tax:</u>		
2 Revenue	\$ 255,089	\$ 287,231
3 Less: Operating Expenses (Excluding Income Taxes)	190,458	190,943
4 Less: Synchronized Interest	31,558	31,558
5 Arizona Taxable Income (Married Filing Jointly)	\$ 33,073	\$ 64,730
6 <u>Over</u> <u>But not Over</u> <u>Amount plus</u> <u>%</u>		
7 - 20,000 - 2.59%	\$ -	\$ -
8 20,000 50,000 (58) 2.88%	895	-
9 50,000 100,000 (298) 3.36%	-	1,877
10 100,000 300,000 (1,178) 4.24%	-	-
11 300,000 999,999,999 (2,078) 4.54%	-	-
12 Arizona Income Tax	\$ 895	\$ 1,877
13 Federal Taxable Income (Married Filing Jointly)	\$ 32,179	\$ 62,853
14 <u>Over</u> <u>But not Over</u> <u>Amount plus</u> <u>%</u>		
15 - 17,850 - 10.00%	\$ -	\$ -
16 17,850 72,500 1,785 15.00%	3,934	8,535
17 72,500 146,400 9,983 25.00%	-	-
18 146,400 223,050 28,458 28.00%	-	-
19 223,050 398,350 49,920 33.00%	-	-
20 398,350 450,000 107,769 35.00%	-	-
21 Total Federal Income Tax	\$ 3,934	\$ 8,535
22 Combined Federal and State Income Tax	\$ 4,829	\$ 10,412
23 Applicable Arizona State Tax	2.7046%	2.8996%
24 Applicable Federal Income Tax	12.2264%	13.5800%
25 Combined Federal and State Tax Rate	14.9310%	16.4796%
26 Applicable Arizona State Income Tax Rate (Rate Applicable to Revenue Increase)		3.1033%
27 Applicable Federal Income Tax Rate (Rate Applicable to Revenue Increase)		15.0000%

Naco Water Company, LLC.
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule PNT-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	ADJ NO.	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 2,222,903	1, 2, 3, 4	\$ 3,337,245
2	Less: Accumulated Depreciation	670,808	5	740,486
3	Net Plant in Service	<u>\$ 1,552,095</u>		<u>\$ 2,596,760</u>
<u>LESS:</u>				
4	Advances in Aid of Construction (AIAC)	\$ 20,753		\$ 20,753
6	Contributions in Aid of Construction (CIAC)	40,133	6	1,222,655
7	Less: Accumulated Amortization	25,992	6	50,238
8	Net CIAC	<u>\$ 14,141</u>		<u>\$ 1,172,417</u>
9	Total Advances and Contributions	\$ 34,894		\$ 1,193,170
10	Customer Deposits	8,950		8,950
11	Accumulated Deferred Income Taxes	-		-
12	Total Rate Base	<u>\$ 1,508,251</u>		<u>\$ 1,394,639</u>

References:

Column [A], Company Schedule B-1

Column [B]: Schedule PNT-4

Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

LINE NO.	PLANT IN SERVICE	[A]										[B]		[C]		[D]		[E]		[F]		[G]		[H]
		Acct.	COMPANY	Dist. Res. & Standpipe:		Adj No.1	[C]		Adj No.2	[D]		Adj No.3	[E]		Adj No.4	[F]		Adj No.5	[G]					
				AS FILED	No. - Plant Description		Ref. Sch PNT-5	Ref. Sch PNT-6		Ref. Sch PNT-7	Ref. Sch PNT-8		Ref. Sch PNT-9	Ref. Sch PNT-10		Ref. Sch PNT-11	Ref. Sch PNT-12							
1	301 Organization		\$ 198	\$ -	-	-	\$ -	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 198			
2	303 Land and Land Rights		4,345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,345			
3	304 Structures and Improvements		5,918	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,101			
4	307 Wells and Springs		128,561	-	-	-	-	5,279	-	-	-	-	-	-	-	-	-	-	-	-	455,999			
5	309 Supply Mains		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
6	310 Power Generation Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
7	311 Pumping Equipment		194,487	-	-	1,648	-	-	-	-	49,405	-	-	-	-	-	-	-	-	-	224,032			
8	320 Water Treatment Equipment		1,824	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,824			
9	330 Distribution Reservoirs and Standpipes		137,771	-	-	(2,357)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,321			
10	330.1 Storage Tank		-	-	-	-	-	-	-	-	303,227	-	-	-	-	-	-	-	-	-	303,227			
11	330.2 Pressure Tank		-	-	-	709	-	-	-	-	10,448	-	-	-	-	-	-	-	-	-	11,157			
12	331 Transmission and Distribution Mains		1,498,997	-	-	-	-	-	-	-	472,990	-	-	-	-	-	-	-	-	-	1,686,089			
13	333 Services		136,839	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	361,890			
14	334 Meters and Meter Installations		46,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83,900			
15	335 Hydrants		34,717	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,717			
16	336 Backflow Prevention Devices		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
17	339 Other Plant and Miscellaneous Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
18	340 Office Furniture and Equipment		9,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,202			
19	340.1 Computers and Software		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
20	341 Transportation Equipment		20,298	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,298			
21	343 Tools, Shop, and Garage Equipment		128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128			
22	344 Laboratory Equipment		0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
23	345 Power Operated Equipment		2,818	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,818			
24	346 Communication Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
25	347 Miscellaneous Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
26	348 Other Tangible Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
27	Total Plant in Service		\$ 2,222,903	\$ -	-	-	-	(18,469)	\$ 1,182,522	\$ -	-	-	-	-	-	-	-	-	-	-	\$ 3,337,245			
28	Less: Accumulated Depreciation		670,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	740,486			
29	Net Plant in Service		\$ 1,552,095																		\$ 2,596,760			
30	LESS:																							
31	Advances in Aid of Construction (AIAC)		\$ 20,753	\$ -	-	-	\$ -	-	\$ -	-	\$ -	-	-	-	-	-	-	-	-	-	\$ 20,753			
32	Contributions in Aid of Construction (CIAC)		40,133	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,182,522			
33	Less: Accumulated Amortization of CIAC		25,992	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,246			
34	Net CIAC		14,141	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,158,276			
35	Total Advances and Net Contributions		34,894	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,193,170			
36	Customer Deposits		8,950	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,950			
37	Accumulated Deferred Taxes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
38	Total Rate Base		\$ 1,508,251																		\$ 1,394,639			

Naco Water Company, LLC.
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Schedule PNT-5

**RATE BASE ADJUSTMENT NO. 1 - RECLASSIFICATION OF DISTRIBUTION RESERVOIRS AND
STANDPIPES TO PUMPING EQUIPMENT AND PRESSURE TANK**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Distribution Reservoirs and Standpipes	\$ 137,771	\$ (2,357)	\$ 135,414
2	Pumping Equipment	\$ 194,487	\$ 1,648	\$ 196,135
3	Pressure Tank	\$ -	\$ 709	\$ 709
4	Staff's Adjustment			
5	Reclassification of Distribution Reservoirs and Standpipes to Pumping Equipment			\$ (1,648)
6	Reclassification of Distribution Reservoirs and Standpipes to Pressure Tank			(709)
7	Total adjustment			\$ (2,357)

References:

Column [A]: Company Schedule B-2
Column [B]: Testimony, schedule PNT 4
Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - TRANSMISSION AND DISTRIBUTION MAINS

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Transmission and Distribution Main	\$	1,498,997	\$	(285,898)	\$	1,213,099
2	Services		136,839		225,051		361,890
3	Meters and Meters Installation		46,800		37,100		83,900
4	Wells and Springs	\$	128,561	\$	5,279	\$	133,840
5	Staff's Adjustments						
6	Reclassification of Transmission and Distribution Main to Services					\$	(225,051)
7	Reclassification of Transmission and Distribution Main to Meters and Meters Installation						(37,100)
8	Reclassification of Transmission and Distribution Main to Wells and Spring						(5,279)
9	Removal of cost of water trailer that has been already included in Transportation account						(6,721)
10	Removal of 2006 rate expense and Wifa grant application						(11,748)
11	Total adjustment					\$	(285,898)
12	<u>Invoice no</u>	<u>Year</u>	<u>Description</u>			<u>Cost</u>	
13	32307A	2006	2006 AZ Corporation Commission Rate Expense	\$		(7,908)	
14	32307A	2006	Wifa 2008 TA Grant Application expense			(284)	
15	32700	2006	2006 AZ Corporation Commission Rate Expense			(925)	
16	32922	2007	2006 AZ Corporation Commission Rate Expense			(1,508)	
17	32922	2007	Wifa 2008 TA Grant Application expense			(1,124)	
18	33086	2007	Service Line installation			(6,310)	
19	33327	2008	Water Trailer			(6,721)	
20	33496	2008	Well rehab, permit			(447)	
21	33386	2008	Well rehab			(725)	
22	33386	2008	Service Line installation			(629)	
23	33538	2008	Service Line installation			(7,273)	
24	33538	2008	Well permit			(4,107)	
25	W02501	2009	Services			(2,320)	
26	10657	2009	Services			(81,731)	
27	10657	2009	Meters			(3,000)	
28	10672	2009	Services			(46,100)	
29	10672	2009	Meters			(3,000)	
30	10711	2009	Services			(17,577)	
31	10711	2009	Meters			(2,700)	
32	10763	2009	Services			(31,812)	
33	10763	2009	Meters			(1,000)	
34	10702	2009	Services			(31,300)	
35	10702	2009	Meters			(27,400)	
36	Total					\$	(285,898)

References:

Column [A]: Company Schedule B-2
Column [B]: Testimony, schedule PNT 4
Column [C]: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-7

RATE BASE ADJUSTMENT NO. 3 - POST-TEST YEAR PLANT ADDITIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Structures and Improvement	\$ 5,918	\$ 4,183	\$ 10,101
2	Wells and Springs	128,561	342,269	470,830
3	Pumping Equipment	194,487	49,405	243,892
4	Storage Tanks	-	303,227	303,227
5	Pressure Tanks	-	10,448	10,448
6	Transmission and Distribution Mains	\$ 1,498,997	\$ 472,990	\$ 1,971,987

References:

Column A: Company Schedule B-2

Column B: Testimony, schedule PNT 4, Data Request PT10.1 and Staff's Engineering Report

Column C: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-8

RATE BASE ADJUSTMENT NO. 4 - PLANT RETIRMENTS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Wells and Springs	\$ 128,561	\$ (20,110)	\$ 108,451
2	Pumping Equipment	194,487	(21,508)	172,979
3	Distribution Reservoirs and Standpipes	\$ 137,771	\$ (8,093)	\$ 129,678

References:

Column A: Company Schedule B-2

Column B: Testimony, schedule PNT 4, Data request DH9.1

Column C: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-9

RATE BASE ADJUSTMENT NO. 5- ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Accumulated Depreciation	\$	670,808	\$	69,678	\$	740,486
2	Staff's calculation						
3	Account No.	Description		Staff as Adjusted			
4	301	Organization Cost		\$ -			
5	302	Franchise Cost		-			
6	303	Land and Land Rights		-			
7	304	Structures & Improvements		3,458			
8	307	Wells & Springs		41,940			
9	330	Distribution Reservoirs & Standpipes		64,381			
10	330.1	Storage Tanks		3,366			
11	330.2	Pressure Tanks		456			
12	331	Transmission & Distribution Mains		300,305			
13	333	Services		72,983			
14	334	Meters		48,783			
15	335	Hydrants		16,054			
16	340	Office Furniture & Equipment		9,202			
17	341	Transportation Equipment		20,298			
18	343	Tools, Shop & Garage Equipment		103			
19	345	Power Operated Equipment		2,818			
				\$ 740,486			

References:

Column A: Company Schedule B-2
Column B: Testimony, schedule PNT 4
Column C: Column [A] + Column [B]

311 Pumping Equipment 155,083
220 water treatment plant 1,257

MTH

MTH

Naco Water Company, LLC.
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Schedule PNT-10

RATE BASE ADJUSTMENT NO. 6- CIAC AND AMORTIZATION OF CIAC

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	CIAC	\$	40,133		1,182,522	\$	1,222,655
2	Accumulated Amortization of CIAC	\$	25,992		24,246	\$	50,238
3	Staff's adjustments						
4	Contributions from Freeport MacMoran			\$	1,182,522		
5	2013 CIAC Amortization				24,246		
	Net CIAC			\$	1,158,276		

References:

Column A: Company Schedule B-2
Column B: Testimony, schedule PNT 4
Column C: Column [A] + Column [B]

OPERATING INCOME - TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
	<u>REVENUES:</u>					
1	Metered Water Sales	\$ 248,165	\$ -	\$ 248,165	\$ 32,142	\$ 280,307
2	Water Sales - Unmetered	-	-	-	-	-
3	Other Operating Revenues	6,924	-	6,924	-	6,924
4	Total Revenues	\$ 255,089	\$ -	\$ 255,089	\$ 32,142	\$ 287,231
5	<u>OPERATING EXPENSES:</u>					
6	Salaries and Wages	\$ 16,712	\$ -	\$ 16,712	\$ -	\$ 16,712
7	Purchased Power	8,999	-	8,999	-	8,999
8	Chemicals	684	-	684	-	684
9	Materials & Supplies	8,127	(5,756) 1	2,371	-	2,371
10	Office Supplies & Expense	33,446	(33,446) 2	-	-	-
11	Outside Service	58,374	(58,374) 3	-	-	-
12	Contractual Services-Billing	-	2,250 2	2,250	-	2,250
13	Contractual Services-Professional	-	58,374 3	58,374	-	58,374
14	Contractual Services - Testing	3,596	486 4	4,082	-	4,082
15	Contractual Services-Other	-	3,871 1	3,871	-	3,871
16	Rents	2,200	-	2,200	-	2,200
17	Transportation Expenses	6,073	-	6,073	-	6,073
18	Insurance - General Liability	5,165	-	5,165	-	5,165
19	Insurance - Health and Life	3,170	-	3,170	-	3,170
20	Reg. Comm. Exp.	63	-	63	-	63
21	Reg. Comm. Exp. - Rate Case	9,230	(3,692) 5	5,538	-	5,538
22	Miscellaneous Expense	-	3,926 2	3,926	-	3,926
23	Bad Debt Expense	-	-	-	-	-
24	Depreciation Expense	54,654	(765) 6	53,889	-	53,889
25	Taxes Other Than Income	1,229	-	1,229	-	1,229
26	Property Taxes	12,486	(930) 7	11,556	485	12,042
27	Income Taxes	4,610	-	4,610	5,802	10,412
28	Interest Expense - Customer Deposits	306	-	306	-	306
29	Total Operating Expenses	\$ 229,124	\$ (34,056)	\$ 195,068	\$ 6,288	\$ 201,355
30	Operating Income (Loss)	\$ 25,965		\$ 60,021		\$ 85,876
31	<u>OTHER INCOME(EXPENSE)</u>					
32	Interest Income	\$ 6	\$ -	\$ 6	\$ -	\$ 6
33	Non-Utility Income	-	-	-	-	-
34	Non-Utility Expense	-	-	-	-	-
35	Interest Expense	(1,717)	(27,270) 3	(28,987)	-	(28,987)
36	Total Other Income(Expense)	\$ (1,717)	\$ (27,270)	\$ (28,981)	\$ -	\$ (28,981)
37	Net Income(Loss)	\$ 24,254		\$ 31,040		\$ 56,894

References:

Column (A): Company Schedule C-1
Column (B): Schedule PNT-12
Column (C): Column (A) + Column (B)
Column (D): Schedules PNT-1 and PNT-2
Column (E): Column (C) + Column (D)

Naco Water Company, LLC.
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Schedule PNT-13

OPERATING INCOME ADJUSTMENT NO. 1 - MATERIALS AND SUPPLIES

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Materials and supplies	\$	8,127	(5,756)	\$	2,371	
2	Contractual Service - Other	\$	-	3,871	\$	3,871	
3	Staff's Adjustments						
4	Removal of out-of test year expenses			\$	(1,885)		
5	Reclassification \$3,871 to Contractual Service - Other				(3,871)		
6	Adjustment to Materials and supplies			\$	(5,756)		
7	Out-Of Test Year Expenses						
8	Invoice No.	Cost					
9	1915018	\$	207				
10	1916673		78				
11	20111225		50				
12	8117501-00		532				
13	1151		580				
14	Rodriguez- 675		24				
15	8117519-00		414				
16	Total	\$	1,885				

References:

Column A: Company Schedule C-2
Column B: Testimony, schedule PNT 12
Column C: Column [A] + Column [B]

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Schedule PNT-14

OPERATING INCOME ADJUSTMENT NO. 2 - RECLASSIFICATION OF OFFICE SUPPLIES & EXPENSES

LINE NO	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Office Supplies and Expenses	\$	33,446	\$	(33,446)	\$	-
2	Interest Expense	\$	1,717	\$	27,270	\$	28,987
3	Miscellaneous Expense	\$	-	\$	3,926	\$	3,926
4	Contractual Services- Billing	\$	-	\$	2,250	\$	2,250
5	Staff's Adjustments						
6	Reclassification of \$27,270 Office Supplies & Expenses to Interest Expense			\$	(27,270)		
7	Reclassification of \$2,598 Office Supplies & Expenses to Contractual Service-Billing				(2,250)		
8	Reclassification of \$3,926 Office Supplies & Expenses to Miscellaneous Expense				(3,926)		
				\$	(33,446)		

References:

Column A: Company Schedule C-2
Column B: Testimony, schedule PNT 12
Column C: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-15

OPERATING INCOME ADJUSTMENT NO. 3 - RECLASSIFICATION OF OUTSIDE SERVICES

LINE NO	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Outside Service	\$ 58,374	\$ (58,374)	\$ -
2	Contractual Services-Professional	\$ -	\$ 58,374	\$ 58,374
3	Staff's Adjustments			
4	Reclassification of \$58,374 Outside Services to Contractual Services- Professional to be in compliance with NARUC Uniform System of Accounts.			\$ (58,374)

References:

Column A: Company Schedule C-2
Column B: Testimony, schedule PNT 12
Column C: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-16

OPERATING INCOME ADJUSTMENT NO. 4 - WATER TESTING

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water testing	\$ 3,596	486	\$ 4,082
2	Staff's Adjustments			
3	Staff's recommended water testing expense from Engineering Report			\$ 4,082

References:

Column A: Company Schedule C-2
Column B: Testimony, schedule PNT 12
Column C: Column [A] + Column [B]

Naco Water Company, LLC.
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Schedule PNT-17

OPERATING INCOME ADJUSTMENT NO. 5- RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]		[B]		[C]	
		COMPANY AS FILED		STAFF ADJUSTMENTS		STAFF AS ADJUSTED	
1	Rate Case Expense	\$	9,230	\$	(3,692)	\$	5,538
2	Staff's calculation						
3	Rate case expense	\$	27,690				
4	Normalization period in years		5				
5	Annual expense	\$	5,538				

References:

Column A: Company Schedule C-1 & E-2
Column B: Testimony, schedule PNT 12
Column C: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 6 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	Description	[A] Plant in Services Per Staff	[B] NonDepreciable or Fully Depreciated Plant	[C] Depreciable Plant (Col A - Col B)	[D] Depreciation Rate	[E] Depreciation Expense (Col C x Col D)
1	302 Intangibles	\$ 198	\$ 198	\$ -	0.00%	\$ -
2	303 Land and Land Rights	4,345	4,345	-	0.00%	-
3	304 Structures and Improvements	10,101	-	10,101	3.33%	336
4	306 Lake, River, and Other Intakes	-	-	-	2.50%	-
5	307 Wells and Springs	455,999	-	455,999	3.33%	15,185
6	309 Supply Mains	-	-	-	2.00%	-
7	310 Power Generation Equipment	-	-	-	5.00%	-
8	311 Pumping Equipment	224,032	132,559	91,473	12.50%	11,434
9	320 Water Treatment Equipment	1,824	-	1,824	3.33%	61
10	330 Distribution Reservoirs and Standpipes	127,321	-	127,321	2.22%	2,827
	330.1 Storage Tanks	303,227	-	303,227	2.22%	6,732
11	330.2 Pressure Tanks	11,157	-	11,157	5.00%	558
12	331 Transmission and Distribution Mains	1,686,089	-	1,686,089	2.00%	33,722
13	333 Services	361,890	-	361,890	3.33%	12,051
14	334 Meters and Meter Installations	83,900	28,060	55,840	8.33%	4,651
15	335 Hydrants	34,717	-	34,717	2.00%	694
16	336 Backflow Prevention Devices	-	-	-	6.67%	-
17	339 Other Plant and Miscellaneous Equipment	-	-	-	6.67%	-
18	340 Office Furniture and Equipment	9,202	9,202	-	6.67%	-
19	341 Transportation Equipment	20,298	20,298	-	20.00%	-
20	340.1 Computers and Software	-	-	-	20.00%	-
21	343 Tools, Shop, and Garage Equipment	128	-	128	5.00%	6
22	344 Laboratory Equipment	-	-	-	10.00%	-
23	345 Power Operated Equipment	2,818	2,818	-	5.00%	-
24	346 Communication Equipment	-	-	-	10.00%	-
25	347 Miscellaneous Equipment	-	-	-	10.00%	-
26	348 Other Tangible Equipment	-	-	-	10.00%	-
27	Total Plant	\$ 3,337,245	\$ 197,480	\$ 3,139,765		\$ 88,257
28	Composite Depreciation Rate (Depr Exp / Depreciable Plant):		2.81%			
29	CIAC:		1,222,655			
30	Amortization of CIAC (Line 28 x Line 29):	\$	34,368			
31	Depreciation Expense Before Amortization of CIAC:	\$	88,257			
32	Less Amortization of CIAC:		34,368			
33	Test Year Depreciation Expense - Staff:		53,889			
34	Depreciation Expense - Company:		54,654			
35	Staff's Total Adjustment:	\$	(765)			

Column [A]: Schedule PNT-4

Column [C]: Column [A] - Column [B]

Column [E]: Column [C] x Column [D]

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Schedule PNT-19

OPERATING INCOME ADJUSTMENT NO. 7- PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 255,089	\$ 255,089
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	510,178	510,178
4	Staff Recommended Revenue, Per Schedule PNT-1	255,089	287,231
5	Subtotal (Line 4 + Line 5)	765,267	797,409
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	255,089	265,803
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	510,178	531,606
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value (Line 9 + Line 10 - Line 11)	510,178	531,606
13	Assessment Ratio	18.5%	18.5%
14	Assessment Value (Line 12 * Line 13)	94,383	98,347
15	Composite Property Tax Rate	12.2439%	12.2439%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 11,556	
17	Company Proposed Property Tax	12,486	
18	Staff Test Year Adjustment (Line 16-Line 17)	\$ (930)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 12,042
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		11,556
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		485
22	Increase to Property Tax Expense		\$ 485
23	Increase in Revenue Requirement		\$ 32,142
24	Increase to Property Tax per Dollar Increase in Revenue (Line19/Line 20)		1.510081%

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Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule PNT-20

OPERATING INCOME ADJUSTMENT NO. 8- INCOME TAXES

LINE NO.	DESCRIPTION	Test Year		Staff's Recommendation	
		Corporate Tax Calculation	Married Filing Jointly Personal Tax Calculation	Corporate Tax Calculation	Married Filing Jointly Personal Tax Calculation
	<u>Calculation of Income Tax:</u>				
1	Revenue	\$ 255,089	\$ 255,089	\$ 287,231	\$ 287,231
2	Operating Expenses Excluding Income Taxes	190,458	190,458	190,943	190,943
3	Synchronized Interest (L16)	31,558	31,558	31,558	31,558
4	Arizona Taxable Income (L1 - L2 - L3)	\$ 33,073	\$ 33,073	\$ 64,730	\$ 64,730
5	Arizona State Income Tax Rate	6.50%	2.880%	6.50%	3.36%
6	Arizona Income Tax	2,150	895	4,207	1,877
7	Federal Taxable Income (L4 - L6)	\$ 30,923	\$ 32,179	\$ 60,522	\$ 62,853
8	Federal Tax	4,638	3,934	9,078	8,535
9	Combined Federal and State Income Tax (L6 + L8)	\$ 6,788	\$ 4,829	\$ 13,286	\$ 10,412
10	Income Taxes- Company	\$ 4,610			
11	Income Taxes-Staff	4,829			
12	Difference	\$ 219			
13	Staff does not make any adjustments to income tax expenses because there is no significant				
14	difference between Company and Staff's calculation.				
15	<u>Calculation of Interest Synchronization:</u>				
16	Rate Base	\$ 1,394,639			
17	Weighted Average Cost of Debt	2.26%			
18	Synchronized Interest (L14 x L15)	\$ 31,558			

Cash Flow Analysis

Line No.		TEST YEAR COMPANY AS FILED	TEST YEAR AS <u>ADJUSTED</u>	COMPANY <u>PROPOSED</u>	STAFF <u>RECOMMENDED</u>
1	Operating Revenue:	\$ 255,089	\$ 255,089	\$ 305,172	\$ 287,231
2	Operating Expenses:				
3	Operation and Maintenance	156,145	123,784	156,145	123,784
4	Depreciation	54,654	53,889	54,654	53,889
5	Property & Other Taxes	13,715	12,785	14,533	13,271
6	Income Tax	4,610	4,610	12,477	10,412
7	Total Operating Expense	<u>\$ 229,124</u>	<u>\$ 195,068</u>	<u>\$ 237,809</u>	<u>\$ 201,355</u>
8	Operating Income	\$ 25,965	\$ 60,021	\$ 67,363	\$ 85,876
9	Interest Expense	\$ 1,711	\$ 28,986	\$ 1,711	\$ 28,986
10	Principal Repayment	\$ 70,778	\$ 70,778	\$ 70,778	\$ 70,778
11	Free Cash Flow	\$ 8,130	\$ 14,146	\$ 49,528	\$ 40,000
12	DSC				
13	Before Tax :	1.18	1.19	1.86	1.51
14	After Tax :	1.11	1.14	1.68	1.40

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
<u>Meter Size (All Classes):</u>			
5/8 x 3/4 Inch	\$ 32.16	\$ 36.81	\$ 34.00
3/4 Inch	32.16	36.81	46.00
1 Inch	62.50	71.54	66.00
1 1/2 Inch	82.50	94.43	86.00
2 Inch	96.20	110.11	110.00
3 Inch	180.00	206.03	200.00
4 Inch	285.00	326.21	320.00
6 Inch	600.00	686.75	650.00
<u>Commodity Charge - Per 1,000 Gallons</u>			
<u>5/8" x 3/4" Meter (Residential)</u>			
First 3,000 gallons	4.54	5.72	N/A
3,001 to 9,000 gallons	6.82	8.59	N/A
Over 9,000 gallons	8.19	10.32	N/A
First 3,000 gallons	N/A	N/A	5.54
3,001 to 10,000 gallons	N/A	N/A	7.99
Over 10,000 gallons	N/A	N/A	10.11
<u>5/8" x 3/4" Meter (Commercial)</u>			
First 9,000 gallons	6.82	N/A	N/A
Over 9,000 gallons	8.19	N/A	N/A
First 3,000 gallons	N/A	5.72	N/A
3,001 to 9,000 gallons	N/A	8.59	N/A
Over 9,000 gallons	N/A	10.32	N/A
First 10,000 gallons	N/A	N/A	7.99
Over 10,000 gallons	N/A	N/A	10.11
<u>3/4" Meter (Residential)</u>			
First 3,000 gallons	4.54	5.72	N/A
3,001 to 9,000 gallons	6.82	8.59	N/A
Over 9,000 gallons	8.19	10.32	N/A
First 3,000 gallons	N/A	N/A	5.54
3,001 to 10,000 gallons	N/A	N/A	7.99
Over 10,000 gallons	N/A	N/A	10.11
<u>3/4" Meter (Commercial)</u>			
First 9,000 gallons	6.82	N/A	N/A
Over 9,000 gallons	8.19	N/A	N/A
First 3,000 gallons	N/A	5.72	N/A
3,001 to 9,000 gallons	N/A	8.59	N/A
Over 9,000 gallons	N/A	10.32	N/A
First 10,000 gallons	N/A	N/A	7.99
Over 10,000 gallons	N/A	N/A	10.11
<u>1" Meter (All Classes)</u>			
First 18,000 gallons	6.82	N/A	7.99
Over 18,000 gallons	8.19	N/A	10.11
First 30,000 gallons	N/A	8.59	N/A
Over 30,000 gallons	N/A	10.32	N/A
<u>1 1/2" Meter (All Classes)</u>			
First 25,000 gallons	N/A	N/A	7.99
Over 25,000 gallons	N/A	N/A	10.11
First 30,000 gallons	6.82	8.59	N/A
Over 30,000 gallons	8.19	10.32	N/A

RATES DESIGN

<u>2" Meter (All Classes)</u>			
First 30,000 gallons	N/A	8.59	N/A
Over 30,000 gallons	N/A	10.32	N/A
First 35,000 gallons	6.82	N/A	7.99
Over 35,000 gallons	8.19	N/A	10.11
<u>3" Meter (All Classes)</u>			
First 30,000 gallons	N/A	8.59	N/A
Over 30,000 gallons	N/A	10.32	N/A
First 75,000 gallons	N/A	N/A	7.99
Over 75,000 gallons	N/A	N/A	10.11
First 93,000 gallons	6.82	N/A	N/A
Over 93,000 gallons	8.19	N/A	N/A
<u>4" Meter (All Classes)</u>			
First 30,000 gallons	N/A	8.59	N/A
Over 30,000 gallons	N/A	10.32	N/A
First 130,000 gallons	N/A	N/A	7.99
Over 130,000 gallons	N/A	N/A	10.11
First 150,000 gallons	6.82	N/A	N/A
Over 150,000 gallons	8.19	N/A	N/A
<u>6" Meter (All Classes)</u>			
First 30,000 gallons	N/A	8.59	N/A
Over 30,000 gallons	N/A	10.32	N/A
First 270,000 gallons	N/A	N/A	7.99
Over 270,000 gallons	N/A	N/A	10.11
First 300,000 gallons	6.82	N/A	N/A
Over 300,000 gallons	8.19	N/A	N/A
<u>Other Service Charges</u>			
Establishment	\$ 30.00	\$ 30.00	\$ 30.00
Establishment (After Hours)	\$ 40.00	N/A	N/A
Reestablishment (within 12 months)	(a)	(a)	(a)
Reestablishment (within 12 months after hours)	(b)	N/A	N/A
Reconnection (Delinquent)	\$ 30.00	\$ 30.00	\$ 30.00
Reconnection (Delinquent) - After Hours	\$ 30.00	N/A	N/A
Meter Test (If Correct)	\$ 30.00	\$ 30.00	\$ 30.00
Deposit	(c)	(c)	(c)
Deposit Interest	(c)	(c)	(c)
NSF Check	\$ 20.00	20.00	\$ 20.00
Deferred Payment (per month)	1.5% per month	1.5% per month	1.5% per month
Late Payment Fee (per month)	1.5% per month	1.5% per month	1.5% per month
Moving Customer Meter (Customer Request)	At Cost	At Cost	At Cost
After Hour Service Charge (at customers request)	N/A	\$ 35.00	\$ 35.00

- (a) Number of months off the system times the monthly minimum per A.A.C. R14-2-403(D).
 (b) Number of months off the system times the monthly minimum per A.A.C.
 (c) Per Rule R14-2-403(B).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule 14-2-409D(5).

Service and Meter Installation Charges

Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 450.00	\$ 490.00	\$ 131.50	\$ 621.50	\$ 490.00	\$ 131.00	\$ 621.00
3/4 Inch	475.00	490.00	232.50	722.50	490.00	232.50	722.50
1 Inch	550.00	547.00	293.00	840.00	547.00	293.00	840.00
1 1/2 Inch	775.00	609.00	505.50	1,114.50	609.50	505.50	1,115.00
2 Inch	1,375.00	927.00	1,030.50	1,957.50	927.00	1,030.50	1,957.50
3 Inch	1,975.00	1,171.00	1,661.50	2,832.50	1,171.00	1,661.50	2,832.50
4 Inch	3,040.00	1,661.00	2,646.50	4,307.50	1,661.00	2,646.50	4,307.50
6 Inch	\$ 5,635.00	\$ 2,478.50	\$ 5,025.50	\$ 7,504.00	\$ 2,478.50	\$ 5,025.50	\$ 7,504.00

Naco Water Compnay, LLC.
Docket No. W-02860A-13-0399
Test Year Ended December 31, 2012

Schedule PNT-23

TYPICAL BILL ANALYSIS

General Service 5/8 X 3/4 - Inch Meter

Average Number of Customers: 288

<u>Company Proposed</u>	<u>Gallons</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Average Usage	4,808	\$58.11	\$69.50	\$11.39	19.60%
Median Usage	3,990	\$52.53	\$62.48	\$9.94	18.93%
<u>Staff Proposed</u>					
Average Usage	4,808	\$58.11	\$65.07	\$6.96	11.97%
Median Usage	3,990	\$52.53	\$58.53	\$6.00	11.42%

Present & Proposed Rates (Without Taxes)
General Service 5/8 X 3/4 - Inch Meter

<u>Gallons Consumption</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>% Increase</u>	<u>Staff Proposed Rates</u>	<u>% Increase</u>
0	\$32.16	\$36.81	14.46%	\$34.00	5.72%
1,000	36.70	42.53	15.89%	39.54	7.74%
2,000	41.24	48.25	17.00%	45.08	9.31%
3,000	45.78	53.97	17.89%	50.62	10.57%
4,000	52.60	62.56	18.94%	58.61	11.43%
5,000	59.42	71.15	19.74%	66.60	12.08%
6,000	66.24	79.74	20.38%	74.59	12.61%
7,000	73.06	88.33	20.90%	82.58	13.03%
8,000	79.88	96.92	21.33%	90.57	13.38%
9,000	86.70	105.51	21.70%	98.56	13.68%
10,000	94.89	115.83	22.07%	106.55	12.29%
15,000	135.84	167.43	23.26%	157.00	15.58%
20,000	176.79	219.03	23.89%	207.45	17.34%
25,000	217.74	270.63	24.29%	257.90	18.44%
50,000	422.49	528.63	25.12%	510.15	20.75%
75,000	627.24	786.63	25.41%	762.40	21.55%
100,000	831.99	1,044.63	25.56%	1,014.65	21.95%
125,000	1,036.74	1,302.63	25.65%	1,266.90	22.20%
150,000	1,241.49	1,560.63	25.71%	1,519.15	22.37%
175,000	1,446.24	1,818.63	25.75%	1,771.40	22.48%
200,000	1,650.99	2,076.63	25.78%	2,023.65	22.57%

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

BRENDA BURNS

Commissioner

IN THE MATTER OF THE APPLICATION OF)
NACO WATER COMPANY, LLC. FOR)
APPROVAL OF A RATE INCREASE.)
_____)

DOCKET NO. W-02860A-13-0399

SURREBUTTAL

TESTIMONY

OF

PHAN TSAN

PUBLIC UTILITIES ANALYST I

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 18, 2014

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**EXECUTIVE SUMMARY
NACO WATER COMPANY, LLC.
DOCKET NO. W-02860A-13-0399**

Staff's surrebuttal testimony addresses the following issues raised in Naco Water Company, LLC's ("Naco" or "the Company") rebuttal testimony:

1. Rate Base
 - a. Pressure Tanks Account
 - b. Water Trailer
 - c. Removal of 2006 Rate Case and WIFA Grant Application Expense
 - d. Post Test Year Plant Additions
2. Operating Income
 - a. Reclassification of Office Supplies expense and Outside Service accounts.
 - b. WIFA Administrative Fee
 - c. Rate Case Expense

Revenue Requirement- Staff's position on revenue requirement has not changed. Staff continues to support the recommendation in its direct testimony.

1 INTRODUCTION

2 Q. Please state your name, occupation, and business address.

3 A. My name is Phan Tsan. I am a Public Utilities Analyst I employed by the Arizona
4 Corporation Commission ("Commission") in the Utilities Division ("Staff"). My business
5 address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 Q. Are you the same Phan Tsan who previously submitted direct testimony in this case?

8 A. Yes, I am.
9

10 PURPOSE OF SURREBUTTAL TESTIMONY

11 Q. What is the purpose of your surrebuttal testimony in this proceeding?

12 A. The purpose of my surrebuttal testimony in this proceeding is to respond, on behalf of Staff,
13 to the rebuttal testimony of Mr. Matthew Rowell, who represents Naco Water Company,
14 LLC ("Naco" or "the Company").
15

16 Q. Do you plan to address every issue raised by the Company in its rebuttal testimony?

17 A. No. I limit my discussion to certain issues as outlined below. My silence on any particular
18 issue raised in the Company's rebuttal testimony does not indicate that Staff agrees with the
19 Company's stated rebuttal position on the issue. I rely on my direct testimony unless
20 modified by this surrebuttal testimony.
21

22 Q. What issues will Staff address?

23 A. Staff will address the issues listed below that are discussed in the rebuttal testimony of
24 Company witness Mr. Matthew Rowell.

25 Rate Base

26 1. Pressure Tanks Account

1 2. Water Trailer

2 3. Removal of 2006 Rate Case and Water Infrastructure Finance Authority ("WIFA")
3 Grant Application Expense

4 4. Post Test Year Plant Additions

5 Operating Income

6 1. Reclassification of Office Supplies expense and Outside Service accounts.

7 2. WIFA Administrative Fee

8 3. Rate Case Expense

9
10 **STAFF'S RESPONSE TO REBUTTAL TESTIMONY OF MATTHEW ROWELL**

11 **Pressure Tanks Account (Rate Base Adjustment No. 1)**

12 **Q. Does Staff agree with the Company that there should not be a sub-Account for**
13 **Pressure Tanks under Distributions Reservoirs and Standpipes account?**

14 A. No. Distribution Reservoirs and Standpipes Account (Account 300) is broken out to Storage
15 Tanks (Account 330.1) and Pressure Tanks (Account 330.2) with different depreciation rates
16 that were approved by the Commission. Since the investments in these two sub-accounts are
17 subject to different depreciation rates, Staff believes it is appropriate to maintain separate sub-
18 accounts for Pressure Tanks and Storage Tanks.

19
20 **Water Trailer (Rate Base Adjustment No. 2)**

21 **Q. Does Staff still believe that the water trailer was double-counted?**

22 A. Yes. In an email sent to Staff on May 8, 2014, Mr. Matthew Rowell stated that "all of the
23 Prop. Held (sic) for Future Use was applied to T&D mains in 2011 except for the \$32,885
24 for the well No. 4 rehab that went to Wells and Springs and \$300 that went to outside

1 services.” The sub-ledger and invoices provided by the Company show that the cost of the
2 trailer and well No. 4 rehab were included in Property Held for Future Use. However,
3 according to Mr. Rowell’s statement and the reconciliation schedule of Transmission and
4 Distribution Mains provided by the Company, only the cost of the well No. 4 rehab was
5 taken out, not the cost of the trailer, and the cost of the trailer has already been included in
6 Transportation Equipment account.
7

8 **2006 Rate Case and WIFA Grant Application Expense (Rate Base Adjustment No. 2)**

9 **Q. Did the Company accept Staff’s direct testimony position on the removal of a total of**
10 **\$11,748 for 2006 rate case expense and WIFA grant application expense?**

11 **A.** No. The Company argued that Staff overstated the cost of 2006 rate case expense and the
12 costs associated with the WIFA grant application should be capitalized.
13

14 **Q. Does Staff agree with the Company that 2006 rate case expense Staff removed was**
15 **overstated?**

16 **A.** No. Staff relied on invoice 32301A from Tierra Dynamics, an Engineering consulting firm
17 which states the services and related costs for the “AZ Corp Com Rate Application” (Page 10
18 to 12 of the invoice).
19

20 **Q. Does Staff agree with the Company that the WIFA Grant Application Expense should**
21 **be capitalized in this case?**

22 **A.** No. According to the Contributions In Aid of Construction (“CIAC”) schedule provided by
23 the Company, the Company did not actually receive any grants from WIFA (there is no
24 WIFA grant listed in its CIAC schedule). Capitalized costs are expense deferrals that will
25 provide benefits in future accounting periods or that will be utilized in providing service in

1 future accounting periods. Therefore, the costs should not be capitalized since they provide
2 no future benefits for rate payers.
3

4 **Post Test Year Plant Additions (Rate Base Adjustment No. 3)**

5 **Q. Why is Staff's amount of the post-test year plant additions different than the amount**
6 **reported by the Company?**

7 **A. Staff witness Dorothy Hains Made adjustments to the post-test year plant additions in Staff's**
8 **Engineering Report, which resulted in Rate Base Adjustment No. 3.**
9

10 **Office Supplies and Expense Account and Outside Services Account (Operating income**
11 **Adjustment No. 2 and No. 3)**

12 **Q. Is Staff still recommending reclassification of the expenses booked to the Office**
13 **Supplies and Expense Account and Outside Services Account to other accounts to be**
14 **in compliance with National Association of Regulatory Utility Commissioners**
15 **Uniform System of Accounts ("NARUC USoA")?**

16 **A. Yes. The Commission requires all regulated utility companies to keep their books in**
17 **compliance with NARUC USoA. Moreover, Outside Services Account is a broad account.**
18 **Staff believes there are more specific accounts under NARUC USoA to reflect the proper**
19 **classification of costs incurred for the services not performed by utility employees, such as**
20 **Contractual Services-Billing, Contractual Service-Professional, Contractual Services-Testing,**
21 **and Contractual Services-Other. If the Company wishes to create an Office Supplies and**
22 **Expenses Account as a sub-Account to the miscellaneous expense account, Staff has no**
23 **objection. Setting this up as sub-Account to the primary miscellaneous expense Account**
24 **would eliminate the issue between Staff and the Company.**

WIFA Administrative Fee (Operating Income Adjustment No. 2)

Q. Is Staff's surrebuttal position the same as its direct position (to classify \$27,270 WIFA Administrative Fee as interest expense)?

A. Yes. As stated in Staff's direct testimony, Staff had a discussion with Ms. Patricia Incognito, WIFA's Chief Financial Officer, and Ms. Incognito indicated that the administrative fee is part of the Combined Interest and Fee Rate ("CIFR") for all WIFA loans. For the purposes of this rate case, the CIFR is properly designated as interest expense.

Rate Case Expense

Q. Did the Company propose a new amount for rate case expense in its rebuttal testimony?

A. Yes, the Company proposed increasing total rate case expense from \$27,690 to \$50,000, to be amortized over 4 years, i.e., \$12,500 per year.

Q. What is Staff's recommendation regarding rate case expense?

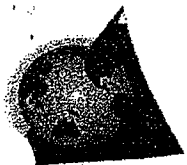
A. Staff is not changing its recommendation from its direct testimony. Staff does not believe that an almost doubling of the rate case expense is reasonable due to the need to respond to Staff's discovery questions to support the company's application. Staff believes that the Company's past filing record is more accurate than what the Company states it will do in the future; therefore Staff believes five-year normalization is appropriate.

REVENUE REQUIREMENT

Q. Has Staff changed its recommendation regarding Revenue Requirement?

A. No. Staff has not changed its recommendation from its direct testimony.

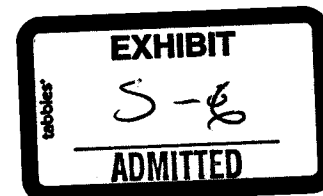
- 1 Q. Does this conclude your surrebuttal testimony?
- 2 A. Yes, it does.



TIERRA DYNAMIC

Integrated Environmental Services™
PO Box 35188 / 2328 W. Royal Palm Road - Suite C
Phoenix, Arizona 85069

701



Page 1 of 15

Invoice Date	Invoice Num
Oct 16, 2006	32307A
Billing From	Billing To
Nov 01, 2005	Sep 30, 2006

SALIM DOMINGUEZ
NACO WATER COMPANY
c/o SOUTHWEST UTILITY MANGEMENT
PO BOX 185160
TUCSON AZ 85745

INVOICE

Project ID: **N1015:500** Manager: **ERZ** Proj Name: **INITIAL PROJECT SET-UP**

Date	Description	Units	Rate	Amount
<u>vices:</u>				
11/1/2005	CC 3-Project Level - Office/Reports: COORDINATED WITH SWUM FOR PROJECT DOCUMENTS.	0.20	\$92.00	\$18.40
6/6/2006	CC 7-Administrative Assistant - Office: Q/A Q/C PROJECT DOCUMENTATION	1.00	\$47.00	\$47.00
Total Services:				<u>\$65.40</u>

N1015:500 Amount Due: \$65.40

Project ID: **N1015:502** Manager: **ERZ** Proj Name: **NEW METER MAPPING & ENGINEERING**

Date	Description	Units	Rate	Amount
<u>Services:</u>				
4/6/2006	CC 1- Principal Level: Travel ROUNDTrip TRAVEL TO TUCSON TO MEET WITH CLIENT & PHELPS DODGE LEGAL COUNSEL.	9.00	\$125.00	\$1,125.00
12/2/2006	CC 4 - Staff Level: Travel	4.75	\$76.00	\$361.00
2/2/2006	CC 3 - Project Level: Travel TRAVEL TO NACO	4.75	\$91.00	\$432.25

Invoice Date	Invoice Num
Oct 16, 2006	32307A
Billing From	Billing To
Nov 01, 2005	Sep 30, 2006

SALIM DOMINGUEZ
NACO WATER COMPANY
c/o SOUTHWEST UTILITY MANGEMENT
PO BOX 185160
TUCSON AZ 85745

INVOICE

5/8/2006	CC 4 - Staff Level: Travel TRAVEL TO HOLMAN'S SURVEY TO RETURN GPS RENTAL EQUIPMENT AND DOWNLOAD DATA FROM DATA COLLECTOR (ATTRIBUTE DATA).	2.25	\$76.00	\$171.00
5/15/2006	CC 3-Project Level - Pre-Field: REVIEWED AND ANALYZED GPS SURVEY DATA.	1.50	\$92.00	\$138.00
5/15/2006	CC 6-Technical Personnel - Post-Field: UPDATING BASE MAP WITH GPS COORDINATES	3.25	\$57.00	\$185.25
5/15/2006	CC 4-Staff Level - Pre-Field: PICKUP RENTAL GPS UNIT AND UPLOAD BASE MAP & DATA FILE INTO DATA COLLECTOR	2.50	\$77.00	\$192.50
5/17/2006	CC 4 - Staff Level: Travel	1.50	\$77.00	\$115.50
5/17/2006	CC 3-Project Level - Pre-Field: REVIEWED AND ANALYZED GPS SURVEY DATA.	4.00	\$92.00	\$368.00
5/17/2006	CC 3-Project Level - Travel: TRAVEL TO BISBEE.	3.50	\$92.00	\$322.00
5/17/2006	CC 4-Staff Level - Travel: DRIVING DLM TO NACO FROM DOUGLAS - JLC ENTERED - NOT SURE IF IT SHOULD GO HERE. REMAINING TRAVEL (STANDARD TRAVEL HOURS) BILLED TO LONE STAR	2.25	\$77.00	\$173.25
5/18/2006	CC 3-Project Level - Field: COLLECTED GPS DATA OF WATER DISTRIBUTION SYSTEM COMPONENTS.	9.25	\$92.00	\$851.00
5/18/2006	CC 3-Project Level - Travel: TRAVEL TO PHOENIX.	3.50	\$92.00	\$322.00
5/18/2006	CC 4-Staff Level - Field: COLLECTING GPS DATA FROM VALVE, WATER METER LOCATIONS & SEWER & UTILITIES AVAILABLE	9.25	\$77.00	\$712.25
5/19/2006	CC 4-Staff Level - Field: MAIN LINE AND WATER METER MAPPING	8.50	\$77.00	\$654.50
5/19/2006	CC 4-Staff Level - Travel:	5.25	\$77.00	\$404.25
5/19/2006	CC 4-Staff Level - Field: COLLECTING GPS DATA FROM VALVE, WATER METER LOCATIONS & SEWER & UTILITIES AVAILABLE	8.50	\$77.00	\$654.50
5/19/2006	CC 4-Staff Level - Post-Field: UNLOADING EQUIPMENT	0.50	\$77.00	\$38.50
5/19/2006	CC 4-Staff Level - Travel: TRAVEL NACO-PHOENIX	4.50	\$77.00	\$346.50
5/19/2006	CC 3-Project Level - Office: REVIEWED WATER SYSTEM INFORMATION AND CONTINUED DEVELOPING EPANET MODEL.	6.50	\$92.00	\$598.00
5/22/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	7.50	\$57.00	\$427.50

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5/22/2006	CC 3-Project Level - Post-Field: REVIEWED GPS DATA AND CONTINUED DEVELOPING EPANET2 NETWORK MODEL.	4.50	\$92.00	\$414.00
5/23/2006	CC 4-Staff Level - Travel: RETURN GPS RENTAL EQUIPMENT	1.25	\$77.00	\$96.25
5/23/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	3.25	\$57.00	\$185.25
5/23/2006	CC 3-Project Level - Post-Field: REVIEWED GPS DATA AND CONTINUED DEVELOPING EPANET2 NETWORK MODEL.	5.50	\$92.00	\$506.00
5/24/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	7.25	\$57.00	\$413.25
5/25/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	6.25	\$57.00	\$356.25
5/26/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	8.50	\$57.00	\$484.50
5/30/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	5.25	\$57.00	\$299.25
6/5/2006	CC 3-Project Level - Office: PREPARE PROJECT BILLING	0.25	\$92.00	\$23.00
6/8/2006	CC 3-Project Level - Post-Field: REVIEWED STATUS OF ACAD WATER SYSTEM MAPPING AND DIRECTED ADDITIONAL DEVELOPMENT.	1.00	\$92.00	\$92.00
6/8/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	3.50	\$57.00	\$199.50
6/12/2006	CC 6-Technical Personnel - Post-Field: POST FIELD DATA REVIEW AND IMPORT GPS DATA INTO AUTOCAD	2.50	\$57.00	\$142.50
6/20/2006	CC 6-Technical Personnel - Post-Field: UPDATES TO SITE MAP.	1.50	\$57.00	\$85.50
6/23/2006	CC 3-Project Level - Office: REVIEW, QA/QC PROJECT BILLING	1.00	\$92.00	\$92.00
6/26/2006	CC 4-Staff Level - Post-Field: POST FIELD DATA REVIEW, COPY AND DISTRIBUTE FIELD DOCUMENTS	0.40	\$77.00	\$30.80
6/26/2006	CC 3-Project Level - Pre-Field: PREPARED AND PLANNED GPS LOCATING ACTIVITIES.	0.80	\$92.00	\$73.60
28/2006	CC 4-Staff Level - Field: COLLECT GPS DATA ON WATER METER AND MAINS LOCATIONS IN BISBEE JUNCTION AND COUNTRY CLUB ESTATES	5.50	\$77.00	\$423.50

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6/28/2006	CC 4-Staff Level - Pre-Field: LOAD EQUIPMENT AND PICKUP RENTAL GPS EQUIPMENT	1.50	\$77.00	\$115.50
6/28/2006	CC 4 - Staff Level: Travel TRAVEL TO NACO AZ	5.00	\$77.00	\$385.00
6/28/2006	CC 3-Project Level - Pre-Field: COORDINATED WITH FIELD STAFF FOR GPS LOCATING ACTIVITIES.	1.50	\$92.00	\$138.00
6/29/2006	CC 4-Staff Level - Field: COMPLETED GPS DATA COLLECTION OF BISBEE JUNCTION WATER METERS AND MAINS PER NACO WATER ROUTE LIST	10.50	\$77.00	\$808.50
6/29/2006	CC 3-Project Level - Pre-Field: COORDINATED WITH FIELD STAFF FOR GPS LOCATING ACTIVITIES.	0.50	\$92.00	\$46.00
6/30/2006	CC 4-Staff Level - Post-Field: POST FIELD DATA REVIEW	1.50	\$77.00	\$115.50
7/5/2006	CC 4 - Staff Level: Travel RETURN GPS RENTAL EQUIPMENT	1.75	\$77.00	\$134.75

Total Services: \$14,253.15

Reimbursable Expenses:

5/15/2006	NC - RENTAL EQUIPMENT SUPPLIER HOLMAN'S INV# 0020-460967 - GPS RENTAL	1.00	\$546.99	\$634.51
5/17/2006	CC 15- PER DIEM WITH OVERNIGHT (PER NIGHT) 05/17/06 AND 05/18/06	2.00	\$72.20	\$167.50
5/17/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON) TRAVEL PHOENIX TO BISBEE	240.00	\$0.41	\$98.40
5/17/2006	CC 15- PER DIEM WITH OVERNIGHT (PER NIGHT)	1.00	\$72.20	\$83.75
5/17/2006	CC 15- PER DIEM WITH OVERNIGHT (PER NIGHT) 05/17/06 AND 05/18/06	2.00	\$72.20	\$167.50
5/18/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON) BISBEE TO PHOENIX	240.00	\$0.41	\$98.40
5/18/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON) ROUNDRIP SITE TO PD OFFICE	27.00	\$0.41	\$11.07
6/26/2006	NC - RENTAL EQUIPMENT SUPPLIER HOLMAN'S INV# 0020-462170 - GPS RENTAL	1.00	\$546.99	\$634.51
6/28/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON) PHOENIX TO SITE	232.00	\$0.41	\$95.12
6/29/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON) SITE TO PHOENIX	232.00	\$0.41	\$95.12

Total Expenses: \$2,085.89

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N1015:502

Amount Due:

\$16,339.04

Project ID: N1015:503

Manager: ERZ

Proj Name: HYDROGEOLOGIC ASSESSMENT (HA)

Date	Description	Units	Rate	Amount
Services:				
5/16/2006	CC 4-Staff Level - Pre-Field: FIELD PREPARATION. ARRANGEMENTS MEETINGS WITH PHELPS DODGE AND FOR APP MATERIALS STUDY	2.00	\$77.00	\$154.00
5/17/2006	CC 4-Staff Level - Travel: TRAVEL PHOENIX - TUSCON - BISBEE/NACO	4.50	\$77.00	\$346.50
5/17/2006	CC 1-Principal Level - Office: TRAVEL TO TUCSON. MEET WITH CLIENT. MEET WITH PHELPS DODGE.	6.25	\$126.00	\$787.50
5/17/2006	CC 4-Staff Level - Pre-Field: VEHICLE EQUIPMENT PREPARATION	1.00	\$77.00	\$77.00
5/17/2006	CC 4-Staff Level - Field: REPORTS REVIEW. APP APPLICATION FOR CTSA	3.50	\$77.00	\$269.50
5/18/2006	CC 4-Staff Level - Field: REPORTS REVIEW. APP APPLICATION FOR CTSA. SITE RECON.	7.50	\$77.00	\$577.50
5/22/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL STUDY OF BISBEE - NACO AREA.	3.00	\$77.00	\$231.00
5/23/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL STUDY OF BISBEE - NACO AREA. ADWR WELL REGISTRATION FILE REVIEW.	7.00	\$77.00	\$539.00
5/24/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL STUDY OF BISBEE - NACO AREA. ADEQ FILE REVIEW.	4.00	\$77.00	\$308.00
5/25/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL STUDY OF BISBEE - NACO AREA. ADEQ FILE REVIEW.	7.25	\$77.00	\$558.25
5/26/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL STUDY OF BISBEE - NACO AREA. ADEQ AND PHELPS DODGE MINNING COMPANY FILE REVIEW,	7.25	\$77.00	\$558.25
5/30/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY	3.25	\$77.00	\$250.25
5/30/2006	CC 3-Project Level - Office: COORD WITH ADEQ REGARDING STATUS OF APP, MITIGATION ORDER, AND CASE MGR ASSIGNMENTS.	0.70	\$92.00	\$64.40
6/1/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY	4.25	\$77.00	\$327.25

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6/1/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY	3.00	\$77.00	\$231.00
6/2/2006	CC 4-Staff Level - Office:	6.00	\$77.00	\$462.00
6/5/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY	4.50	\$77.00	\$346.50
6/12/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY. PREPARE MEMO	5.00	\$77.00	\$385.00
6/13/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY.	8.00	\$77.00	\$616.00
6/14/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY.	4.00	\$77.00	\$308.00
6/16/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL HISTORIC DATA STUDY.	3.50	\$77.00	\$269.50
6/16/2006	CC 2-Senior Level - Office: REVIEW ASSESSMENT MEMO	0.50	\$108.00	\$54.00
6/20/2006	CC 4-Staff Level - Office: COLLECT ADWR WELL REGISTRY DATA.	3.50	\$77.00	\$269.50
6/21/2006	CC 4-Staff Level - Office: COLLECT ADWR WELL REGISTRY DATA.	4.00	\$77.00	\$308.00
6/22/2006	CC 4-Staff Level - Office: COLLECT ADWR WELL REGISTRY DATA.	5.25	\$77.00	\$404.25
6/26/2006	CC 3-Project Level - Office: DISCUSSED WITH STAFF THE STATUS OF HYROGEOLOGIC RESEARCH FOR WELL PLACEMENT AND INFORMATION ON BISBEE WASTEWATER PLANT.	0.50	\$92.00	\$46.00
6/26/2006	CC 4-Staff Level - Office: STUDY GEOLOGICAL DATA FROM WELL DRILLING LOGS.	2.50	\$77.00	\$192.50
6/26/2006	CC 3-Project Level - Office: DISCUSSED WELL TREATMENT METHODS WITH STAFF. DIRECTED STAFF TO RESEARCH COST ESTIMATES FOR WELL TREATMENT SERVICES.	0.50	\$92.00	\$46.00
6/27/2006	CC 4-Staff Level - Office: STUDY GEOLOGICAL DATA FROM WELL DRILLING LOGS.	6.50	\$77.00	\$500.50
6/28/2006	CC 4-Staff Level - Office: WELL DATA ANALYSIS. WELL REHABILITATION CONTRACTOR SEARCH.	7.75	\$77.00	\$596.75
6/30/2006	CC 4-Staff Level - Office: WELL REHABILITATION CONTRACTOR SEARCH.	1.75	\$77.00	\$134.75
7/5/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA STUDY.	4.50	\$77.00	\$346.50
7/6/2006	CC 4-Staff Level - Office:	1.50	\$77.00	\$115.50

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HYDROGEOLOGICAL DATA STUDY. PUMPING TEST PREPARATION				
7/7/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA STUDY.	7.75	\$77.00	\$596.75
7/18/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA ANALYSIS. NEW WELL DESIGN	3.50	\$77.00	\$269.50
7/31/2006	CC 2-Senior Level - Office: REVIEW PROJECT DATA	1.50	\$108.00	\$162.00
8/14/2006	CC 6-Technical Personnel - Pre-Field: MAP PREP FOR ACC	2.00	\$57.00	\$114.00
8/14/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA STUDY.	2.00	\$77.00	\$154.00
8/15/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA STUDY.	2.00	\$77.00	\$154.00
8/16/2006	CC 2-Senior Level - Office: REVIEW GOALS OF PROJECT AND ESTABLISH SIX (6) ACTION ITEMS MOSTLY RELATING TO CREATION OF COMPREHENSIVE BASE MAP, ONE NEW CROSS SECTION AND IDENTIFICATION OF NEW/ADDITIONAL DATA REQUIREMENTS.	2.50	\$108.00	\$270.00
8/16/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA STUDY. BASE MAP PREPARATION	3.50	\$77.00	\$269.50
8/21/2006	CC 4-Staff Level - Office: HISTORIC HYDROGEOLOGICAL DATA ANALYSIS FOR BASE MAP.	3.00	\$77.00	\$231.00
8/21/2006	CC 2-Senior Level - Office: CONSTRUCT BASE MAP, DIRECT PROJECT GEOLOGIST.	2.00	\$108.00	\$216.00
8/21/2006	CC 5-Field Level - Office: MAP PREP FOR CROSS SECTIONAL VIEWS	3.25	\$65.00	\$211.25
8/22/2006	CC 4-Staff Level - Office: HISTORIC DATA ANALYSIS FOR BASE MAP. DATA COMPILATION	8.00	\$77.00	\$616.00
8/23/2006	CC 4-Staff Level - Office: HISTORIC DATA ANALYSIS FOR BASE MAP. DATA COMPILATION. BUILT BASE MAP	8.00	\$77.00	\$616.00
8/24/2006	CC 4-Staff Level - Office: HISTORIC DATA ANALYSIS FOR BASE MAP. DATA COMPILATION	5.50	\$77.00	\$423.50
8/24/2006	CC 2-Senior Level - Office: REVIEW DATA IN PROJECT GEOLOGY AND DIRECT ACTIVITIES.	0.25	\$108.00	\$27.00
8/25/2006	CC 2-Senior Level - Office:	1.50	\$108.00	\$162.00

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8/25/2006	CC 4-Staff Level - Office: HISTORIC DATA ANALYSIS FOR BASE MAP. DATA COMPILATION	3.00	\$77.00	\$231.00
8/25/2006	CC 6-Technical Personnel - Office: PRE PLANNING WITH PM ON USGS MAP SIZING AND REQUISITIONING	0.50	\$57.00	\$28.50
8/28/2006	CC 6-Technical Personnel - Office: PREPARE FIGURES	1.00	\$57.00	\$57.00
8/28/2006	CC 4-Staff Level - Office: BASE MAP COMPILATION. HISTORICAL DATA ANALYSIS	3.00	\$77.00	\$231.00
8/28/2006	CC 3-Project Level - Office: PREPARED AND PLANNED SCOPE OF HYDROGEOLOGIC ASSESSMENT AND DISCUSSED STRATEGY FOR EVALUATING DATA TO SITE NEW SOURCE WELL(S) FOR NWC.	1.80	\$92.00	\$165.60
8/28/2006	CC 2-Senior Level - Office: MET WITH PROJECT TEAM REGARDING OVERALL DATA SET, MAPS, BUDGET DELIVERABLES. MADE ASSIGNMENTS AND WILL MEET AGAIN NEXT TUESDAY.	2.50	\$108.00	\$270.00
8/28/2006	CC 1-Principal Level - Office: DIRECT PROFESSIONAL STAFF RE: HYDRO STUDY	1.50	\$126.00	\$189.00
8/29/2006	CC 4-Staff Level - Office: ADWR WELLS REGISTER DATA COMPILATION	6.50	\$77.00	\$500.50
8/30/2006	CC 4-Staff Level - Office: ADWR WELLS REGISTER DATA COMPILATION. BUILT WELLS DATA TABLE.	7.00	\$77.00	\$539.00
8/30/2006	CC 6-Technical Personnel - Office: PREPARE FIGURES	1.50	\$57.00	\$85.50
8/31/2006	CC 6-Technical Personnel - Office: PREPARE FIGURES	1.00	\$57.00	\$57.00
8/31/2006	CC 4-Staff Level - Office: BASE MAP COMPILATION. BUILT WELLS DATA TABLE.	3.00	\$77.00	\$231.00
9/5/2006	CC 4-Staff Level - Office: COMPILE HYDROGEOLOGICAL DATA	5.50	\$77.00	\$423.50
9/5/2006	CC 2-Senior Level - Office: CONTINUE DATA COMPIATION AND MONTGOMERY VS. SAVICH EVALUATION IN ORDER TO ARRIVE AT TDC SAMPLING PLAN, REVIEW WELL MAPPING PROGRESS. ERZ, MTL, DLM	2.50	\$108.00	\$270.00
9/11/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA COMPILATION.	5.00	\$77.00	\$385.00
9/12/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA COMPILATION.	8.00	\$77.00	\$616.00
9/13/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA COMPILATION.	6.50	\$77.00	\$500.50

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9/14/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA COMPILATION.	8.00	\$77.00	\$616.00
9/15/2006	CC 4-Staff Level - Office/Reports: HYDROGEOLOGICAL DATA COMPILATION.	6.50	\$76.00	\$494.00
9/15/2006	CC 6-Technical Personnel - Pre-Field: DATA REVIEW WITH MAREK ON MAPPING WELL POINTS	0.50	\$57.00	\$28.50
9/18/2006	CC 4-Staff Level - Office: HYDROGEOLOGICAL DATA COMPILATION	3.00	\$77.00	\$231.00
9/26/2006	CC 4-Staff Level - Office: DATA COMPILATION	4.50	\$77.00	\$346.50

Total Services: \$21,669.25 ✓

Reimbursable Expenses:

5/17/2006	CC 16- CONSULTANT SINGLE PERSON MILES (PER MILE)	252.00	\$0.41	\$103.32
3/2006	NC - COPY SERVICE / MAPS / AERIAL PHOTOGRAPHY ADWR BOOKSTORE/RECORDS MANAGEMENT INVOICE AP# 012774	1.00	\$10.50	\$12.18

Total Expenses: \$115.50 ✓

N1015:503 Amount Due: \$21,784.75

Project ID: N1015:504

Manager: ERZ

Proj Name: BISBEE JUNCTION ENGINEERING

Date	Description	Units	Rate	Amount
Services:				
2/13/2006	CC 3-Project Level - Office: RECEIVED CALL FROM STEVE AT SWUM. DISCUSSED VIABILITY OF 3 PRIVATE WELLS ON EPPELE PROPERTY. ALSO, DISCUSSED DISCOVERY OF 6" MAIN ON PURDUE LANE DURING GAS LINE WORK.	0.20	\$92.00	\$18.40
6/6/2006	CC 4-Staff Level - Office: DISCUSSING WATER SYSTEM DESIGN WITH PM	0.25	\$77.00	\$19.25
9/12/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM (STEVE) RE ONGOING AND WORSENING LEAKS AT GAS MAIN IN BISBEE JUNCTION.	0.20	\$92.00	\$18.40
Total Services:				<u>\$56.05</u>

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Reimbursable Expenses:

5/30/2006	NC - COLOR CADD PLOT (PER SQ. FT.) PRINTED 3 SHEETS OF EXPANDED TOPO MAP (22X36)	16.50	\$8.00	\$132.00
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Total Expenses: \$132.00

N1015:504 Amount Due: \$188.05 ✓

Project ID: N1015:507 Manager: ERZ Proj Name: AZ CORP COM RATE APPLICATION

Date	Description	Units	Rate	Amount
Services:				
3/6/2006	CC 3-Project Level - Office: RECEIVED A CALL FROM DOROTHY HAINES OF THE AZ CORP. COMMISSION REQUESTING DETAILS OF THE DEC 05 CONCEPTUAL COST ESTIMATE. PREPARED COST ESTIMATE SPREAD SHEETS FOR PRINTING AND SENT 22-PAGE FAX TO HAINES.	1.00	\$92.00	\$92.00
3/15/2006	CC 3-Project Level - Office: PARTICIPATED IN TELECONFERENCE WITH WIFA, ACC, AND SWUM REPRESENTATIVES REGARDING PROPOSED ACC RATE INCREASE AND WIFA FINANCING OF NWC UPGRADES. DISCUSSED ISSUES WITH BONNIE O'CONNOR OF SWUM AFTER THE TELECONFERENCE.	1.50	\$92.00	\$138.00
3/16/2006	CC 3-Project Level - Office: REVIEWED AND ANALYZED EACH OF THE 10 PROPOSED PHASES FOR NACO, NACO HWY, AND BISBEE JUNCTION TO IDENTIFY POSSIBLE COSTS THAT MAY BE INCURRED IF THE PHASE DOES NOT PROCEED ACCORDINGLY. PREPARED EMAIL TO SWUM FOR REVIEW.	3.50	\$92.00	\$322.00
4/12/2006	CC 1-Principal Level - Office: PREPARE FOR MEETING WITH CLIENT & AZ CORP. COMM. MEET WITH CLIENT & AZ CORP. COMM. ROUNDTrip TRAVEL TDC TO AZ CORP. COMM.	3.00	\$126.00	\$378.00
4/12/2006	CC 3-Project Level - Office: ACC MEETING PREP (.8H), ACC MEETING (1H), POST-MEETING (.4H), RT TRAVEL (.9H)	3.10	\$92.00	\$285.20
4/17/2006	CC 3-Project Level - Office: RE-EVALUATED WATER SYSTEM UPGRADE PHASES AND COST STRUCTURE PER ACC MEETING AND RECENT PHELPS DODGE DISCUSSIONS.	2.50	\$92.00	\$230.00

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4/19/2006	CC 1-Principal Level - Office: PREPARE CORRESPONDENCE FOR CLIENT. DETERMINE PROJECT MANAGEMENT STRATEGY. DIRECT PROFESSIONAL STAFF.	2.50	\$126.00	\$315.00
4/20/2006	CC 3-Project Level - Office: PREPARED EXTENSIONREQUEST/STATUS LETTER TO ACC.	2.00	\$92.00	\$184.00
4/25/2006	CC 3-Project Level - Office: REVISED COST ESTIMATES. CONTACTED DRILLERS AND EXCAVATORS FOR QUOTES.	3.00	\$92.00	\$276.00
4/27/2006	CC 3-Project Level - Office: COLLECTED ADDITIONAL COST ESTIMATE INFORMATION. CONTACTED BLUESTAKE FOR PHONE NUMBERS OF NACO/BISBEE JUNCTION UTILITY COMPANIES. CALLED QUEST, CABLE ONE, APS, SWG FOR UTILITY CONFLICTS ALONG NEWELL, NACO HWY AND PURDEY LANE.	2.50	\$92.00	\$230.00
16/2006	CC 3-Project Level - Office: RECEIVED CALL FROM ACC DAVAD RONALD AND DOROTHY HAINS RE RESPONSE TO APRIL 20, 2006 LETTER.	0.20	\$92.00	\$18.40
5/24/2006	CC 3-Project Level - Office: MATERIAL SELECTION AND COST ESTIMATING FOR ACC RESPONSE LETTER.	4.50	\$92.00	\$414.00
5/25/2006	CC 3-Project Level - Office: MATERIAL SELECTION AND COST ESTIMATING FOR ACC RESPONSE LETTER.	6.50	\$92.00	\$598.00
5/26/2006	CC 4-Staff Level - Office: PLANNING WITH PM; RESEARCHING AVAILABILITY AND PRICING FOR WATER SYSTEM MATERIALS	4.25	\$77.00	\$327.25
5/26/2006	CC 3-Project Level - Office: MATERIAL SELECTION AND COST ESTIMATING FOR ACC RESPONSE LETTER.	5.50	\$92.00	\$506.00
5/30/2006	CC 4-Staff Level - Office: RESEARCHING AVAILABILITY AND PRICING FOR WATER SYSTEM MATERIALS	3.75	\$77.00	\$288.75
5/30/2006	CC 3-Project Level - Office: MATERIALS SELECTION AND COST ESTIMATING.	1.80	\$92.00	\$165.60
5/31/2006	CC 3-Project Level - Office: EDITS TO COST ESTIMATES FOR ACC LETTER.	6.00	\$92.00	\$552.00
5/31/2006	CC 4-Staff Level - Office: REVISING COST ESTIMATE SHEETS	2.75	\$77.00	\$211.75
6/2/2006	CC 3-Project Level - Office: REVIEWED ACC LETTER, FINAL EDITS TO COST SPREADSHEETS.	1.00	\$92.00	\$92.00
6/14/2006	CC 3-Project Level - Office:	0.30	\$92.00	\$27.60

Invoice Date	Invoice Num
Oct 16, 2006	32307A
Billing From	Billing To
Nov 01, 2005	Sep 30, 2006

SALIM DOMINGUEZ
NACO WATER COMPANY
c/o SOUTHWEST UTILITY MANGEMENT
PO BOX 185160
TUCSON AZ 85745

INVOICE

	RECEIVED CALL FROM SWUM; DISCUSSED PROPOSED WORK COSTS IN THE LETTER TO ACC AND STATUS OF ACC APPLICATION REVIEW.			
6/21/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM TO DISCUSS RECENT DEVELOPMENTS WITH THE ACC RATE APPLICATION.	0.60	\$92.00	\$55.20
6/28/2006	CC 3-Project Level - Pre-Field: REVIEWED ACC DATA REQUEST LETTER.	0.40	\$92.00	\$36.80
7/6/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM REGARDING VERBAL REQUESTS FROM ACC TO PROVIDE MORE INFO ON PROJECT PRIORITIZATION AND TIMEFRAMES. REVIEW DRAFT EMAIL FROM SWUM.	0.80	\$92.00	\$73.60
8/8/2006	CC 1-Principal Level - Office: TELECON WITH CLIENT RE: STATUS OF ACC RATE APPLICATION AND TIMING OF PHELPS DODGE RESPONSE	0.50	\$126.00	\$63.00
8/10/2006	CC 1-Principal Level - Office: TELECON WITH CLIENT AND D. HAINES OF ACC	0.50	\$126.00	\$63.00
8/14/2006	CC 3-Project Level - Office: REVIEWED ACC QUESTIONS RECORDED BY BONNIE DURING LAST WEEK TELECON. PREPARED DOCUMENTS FOR TELECONFERENCE (.6H). PARTICIPATED IN TELECONFERENCE WITH BONNIE, STEVE (SWUM), DOROTHY, DALE (ACC, AND JDK. (2.7 H). PREPARED LETTER TO ACC WITH ROUTE LIST OF NACO SERVICE ADDRESSES AND METER LOCATIONS. LETTER ALSO INCLUDED AN ACAD DRAWING OF NACO AND A COST BREAKDOWN FOR SERVICE LINE INSTALLATIONS (\$/FOOT) (2H).	5.30	\$92.00	\$487.60
8/14/2006	CC 1-Principal Level - Office: TELECON WITH CLIENT AND ACC RE: RATE INCREASE APPLICATION	3.50	\$126.00	\$441.00
8/15/2006	CC 3- Project Level - Office/Reports: REVIEWED AND EDITED SITE STATUS REPORT	2.00	\$92.00	\$184.00
8/16/2006	CC 1-Principal Level - Office: DIRECT PROFESSIONAL STAFF	1.25	\$126.00	\$157.50
9/12/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM (BONNIE) RE ACC DIRECT TESTIMONY DOCUMENT.	0.20	\$92.00	\$18.40
9/19/2006	CC 3-Project Level - Office: RECEIVED CALL FROM BONNIE AT SWUM. NEEDS FEEDBACK ON ACC "DIRECT TESTIMONY" REPORT BEFORE 10/2/06 DEADLINE. REVIEWED REPORT.	2.00	\$92.00	\$184.00
9/20/2006	CC 1-Principal Level - Office: REVIEW ACC STAFF TESTIMONY; TELECON WITH SWUM	1.75	\$126.00	\$220.50
9/29/2006	CC 1-Principal Level - Office: REVIEW AND REVISE NWL REBUTTAL LETTER TO ACC STAFF TESTIMONY	3.25	\$126.00	\$409.50

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PO BOX 185160
TUCSON AZ 85745

INVOICE

Total Services: \$8,045.65

N1015:507 Amount Due: \$8,045.65

Project ID: N1015:508

Manager: ERZ

Proj Name: PHELPS DODGE NEGOTIATIONS

Date	Description	Units	Rate	Amount
<u>Services:</u>				
5/18/2006	CC 1-Principal Level - Office: TRAVEL TO TUCSON TO BISBEE TO NACO TO TDC OFFICE. REVIEW FILES AT PHELPS DODGE OFFICE IN BISBEE. MEET WITH NACO WATER COMPANY SYSTEM OPERATOR IN NACO. FIELD RECONN SURVEY.	12.50	\$126.00	\$1,575.00
6/2/2006	CC 8-Word Processor - Office:	2.00	\$41.00	\$82.00
6/6/2006	CC 3-Project Level - Office: REVIEWED PHELPS DODGE LETTER DATED JUNE 6, 2006 REQUESTING WELL #4 DATA. CONTACTED CURFMAN, SIERRA VISTA FOR QUOTE ON WATER HAULING. RESEARCHED AVAILABLE INFORMATION FOR PD RESPONSE.	1.50	\$92.00	\$138.00
6/12/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM; WATER HAULING INITIATED FOR WELL #4 IN BISBEE JUNCTION. PREPARED AND PLANNED ACTIVITIES FOR FUTURE TRIP TO NACO-BISBEE JUNCTION.	0.80	\$92.00	\$73.60
6/14/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM; DISCUSSED WATER HAULING HAULING ISSUES FOR WELL #4 IN BISBEE JUNCTION. DIRECTED STAFF TO RESEARCH POSSIBLE NEARBY PRODUCTION WELLS THAT MAY BE CAUSING DRAWDOWN. ALSO DIRECTED STAFF TO RESEARCH WATER LEVEL DATA LOGGING DEVICES FOR POSSIBLE FUTURE TRIP TO NACO-BISBEE JUNCTION. COORDINATED WITH FIELD STAFF WORKING IN DOUGLAS FOR POSSIBLE DRIVE-BY TO BJ IF NECESSARY.	1.00	\$92.00	\$92.00
6/19/2006	CC 3-Project Level - Office:	0.50	\$92.00	\$46.00

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INVOICE

COORDINATED WITH SWUM REGARDING STATUS OF WATER HAULING OPERATIONS AND WATER PRODUCTION RATE OF BISBEE JUNCTION WELL #4.				
6/20/2006	CC 3-Project Level - Appeal: REVIEWED AND COMPILED WELL #4 DATA IN PREPARATION FOR RESPONSE LETTER TO PHELPS DODGE.	4.00	\$92.00	\$368.00
6/22/2006	CC 3-Project Level - Office: RESEARCHED MECHANICAL, ACIDIFICATION, BACTERICIDAL, AND FLUSHING TECHNIQUES TO TREAT WELLS IN PREPARATION FOR FUTURE WORK ON WELL #4.	2.30	\$92.00	\$211.60
6/23/2006	CC 3-Project Level - Office: COORDINATED WITH SWUM TO DISCUSS THE WELL RESTORATION METHOD USED DURING OCT 05 FOR WELL #4.	0.50	\$92.00	\$46.00
6/27/2006	CC 3-Project Level - Office: DISCUSSED WELL TREATMENT METHODS WITH STAFF REGARDING SERVICE QUOTES. CONTACTED SWUM FOR INFORMATION ON OCT 06 WELL TREATMENT SERVICES	1.00	\$92.00	\$92.00
7/7/2006	CC 3-Project Level - Office: DISCUSSED STATUS OF WATER HAULING AT WELL #4, RECEIVED \$5,100 INVOICE FOR 6/13/-6/24 HAULING SERVICES.	0.30	\$92.00	\$27.60
7/11/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM TO DISCUSS MALFUNCTION OF PUMP IN WELL #4 DUE TO SCREEN BLOCKAGE FROM PD SULFATE PLUME.	0.20	\$92.00	\$18.40
7/17/2006	CC 3-Project Level - Office: RECEIVED CALL FROM SWUM. PUMP MALFUNCTION ON WELL #3, LIKELY DUE TO SULFATE PLUME.	0.20	\$92.00	\$18.40
Total Services:			\$2,788.60	
Reimbursable Expenses:				
5/18/2006	CC 13 - CONSULTANT MILEAGE RATE (ONE PERSON)	460.00	\$0.41	\$188.60
Total Expenses:			\$188.60	

N1015:508

Amount Due:

\$2,977.20

Project ID:

N1015:510

Manager:

ERZ

Proj Name:

WIFA 2008 TA GRANT APPLICATION

Date	Description	Units	Rate	Amount
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Services:

Invoice Date	Invoice Num
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 NACO WATER COMPANY
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9/22/2006	CC 1-Principal Level - Field: MEET WITH SWUM; ATTEND WIFA PROJECT FUNDING WORKSHOP	2.25	\$126.00	\$283.50
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Total Services: \$283.50

N1015:510 Amount Due: \$283.50

Amount Due This Invoice: \$49,683.59

This invoice is due in 30 days